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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
KRISTIN K. MAYES, Chairman
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IN THE MATTER OF THE APPLICATION OF GLOBAL WATER – PALO VERDE UTILITIES COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. SW-20445A-09-0077
IN THE MATTER OF THE APPLICATION OF VALENCIA WATER COMPANY – GREATER BUCKEYE DIVISION FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. W-02451A-09-0078
IN THE MATTER OF THE APPLICATION OF WILLOW VALLEY WATER CO. FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. W-01732A-09-0079
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IN THE MATTER OF THE APPLICATION OF WATER UTILITY OF GREATER TONOPAH FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. W-02450A-09-0081 **NOTICE OF FILING REBUTTAL TESTIMONY**

IN THE MATTER OF THE APPLICATION OF VALENCIA WATER COMPANY – TOWN DIVISION FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES FOR UTILITY SERVICE DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTY THROUGHOUT THE STATE OF ARIZONA	DOCKET NO. W-01212A-09-0082 **NOTICE OF FILING REBUTTAL TESTIMONY**

Global Water – Palo Verde Utilities Company, Global Water – Santa Cruz Water Company, Valencia Water Company – Town Division, Valencia Water Company – Greater Buckeye Division, Water Utility of Greater Tonopah and Willow Valley Water Co. (collectively, the "Global Utilities") files the Rebuttal Testimony of Trevor T. Hill, Graham S. Symmonds, Jamie Moe and Matthew J. Rowell.

RESPECTFULLY SUBMITTED this 16th day of November 2009.

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Hill Rebuttal Testimony

DOCKET NOs. SW-02445A-09-0077 *et al.*

Rebuttal Testimony
of
Trevor T. Hill

November 20, 2009

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I. Introduction.

Q. What is your general reaction to Staff and RUCO's testimony in this case?

A. In general, we are very pleased that they have audited our financials, inspected our infrastructure, pored over our decisions to build and grow the company and have found that our plant is well-engineered, properly-sized, and performs satisfactorily.

I am disappointed, however, that Staff and RUCO have not recognized the public policy benefits of our ICFA agreements, which allow us to create sustainable water infrastructure and which allow us to acquire small, troubled utilities.

Q. What topics do you address in your Rebuttal Testimony?

A. I will explain why the Commission should emphasize and support Total Water Management, and why water sustainability is crucial for Arizona's future. I will also explain how the infrastructure financing methods chosen by regulators have a direct impact on sustainability, the types of infrastructure constructed, and the health and structure of the water utility industry in Arizona. This includes explaining the problems that come with a traditional CIAC-based approach, and the benefits of our ICFA agreements. In the spirit of compromise, I also discuss possible "middle ground" approaches to ICFAs.

I will also respond to Staff's opposition to our Public Private Partnership (P3) agreements with the Cities of Maricopa and Casa Grande, and to their opposition to our Renewable Energy adjustor mechanism, which I found especially disappointing.

Q. What other witnesses are testifying for Global?

A. **Graham Symmonds** updates Arizona's drought situation, responds to Staff's proposed accounting treatment of recharge credits, and provides updated data on home vacancies and delinquent payments. He also describes our proposed low-income tariff and our

proposed Demand-Side Management Program. Lastly, he provides an update on our extensive system upgrades in Willow Valley.

Jamie Moe responds to Staff's and RUCO's accounting adjustments and supports our requested pass-through and adjustment mechanisms.

Matt Rowell provides an economic and ratemaking policy analysis of Staff's and RUCO's positions on CIAC. He also responds to their positions on cost of capital.

II. The key issue in this case is whether the Commission will support Total Water Management.

Q. Do you have any general concerns with Staff and RUCO's testimony in this case?

A. My concern is that there appears to be some misunderstanding of what it is Global has set out to accomplish in Arizona: some of the comments point to the difference between Global's approach and the water utility norm as a negative. I want to be clear: we absolutely are different from the water utility norm in Arizona.

But we are different in important ways. And I make no apology for that. We sought out the highest growth areas with the worst water supply issues – and we used ICFAs to wrest water control from developers and that allowed us to emplace leading edge water reuse throughout those communities. We are passionate about the need to reuse water and to dramatically reduce water consumption – I don't mean BMP-type half-measures that yield a few percentage points, I mean we cut water use by 40% in Maricopa. And we plan to cut it by 60% in Belmont.

And that is what I believe this case is about. It's not about rate base, expenses, and rate of return – we made that evident in our application when we voluntarily excluded $32 million

of plant from our application because we didn't feel it was used and useful. We made that clear when we created a NARUC-style cost allocation model for our employees and management – and implemented a structure that results in an exclusion of 84% of all executive compensation from rates. We made it clear when we opted to not argue with Staff about the cost of equity. This case is about the ICFAs and what they have allowed Global Water to achieve – and why we believe the Commission should find ICFAs in the public interest.

ICFAs give utilities control over water resources and ensures economic development can continue in water scarce areas like Belmont. They are structured to incent developers to adopt Total Water Management in the absence of state policy to conserve – so there is no fight as with the APS hook-up fee. They create a means to conduct acquisitions and consolidations and begin the decade-long effort to create a manageable water industry in Arizona. They put all the risk of used and useful onto utility owners instead of customers. And they result in regional plant that reduces water usage by 40 to 60%.

That is what this case is about.

Q. What are the key factors in this case?

A. There is one principle that drives this case, and what one believes about that principle should drive every decision. That principle is that Arizona needs to adopt, support, and incent Total Water Management in order to avoid water crises that will destroy our state's economy, ecology, and future. The writing is on the wall. Proactive measures are already being implemented in the world's most water scarce areas which now include large portions of the United States and Australia. Arizona lags in meaningful water conservation policy.

Q. Why is Total Water Management necessary?

A. Because:

- Growth pressures and water limits remain, thus there is no easy solution to developing the supply to meet demand;
- Drought and Colorado River volatility remain, thus supply-side increases are not available;
- The Energy-Water nexus in Arizona will become more acute and high-cost, high-power solutions such as desalination will not be affordable; and
- Water and energy resources must become more sustainable now – right now – or Arizona will face unmanageably large and frequent crises.

Q. Is Total Water Management simply a marketing phrase that Global Water invented?

A. I have heard that suggested, but the reality is that Total Water Management is a fundamental concept in the world of water resource management. It is not a new concept – the American Water Works Association (AWWA) published a white paper outlining the Total Water Management concept in 1994.[1] Just last year, the AWWA published a book entitled *Total Water Management: Practices for a Sustainable Future*, which used the following definition: "Total Water Management means stewardship and management of water on a sustainable use basis."[2]

At Global, we strongly believe that sustainability is a core function of a water utility – that's why we promote water conservation, and why we have taken the lead in designing and constructing recycled water systems in Arizona. This concept is explained in the leading textbook on water recycling, *Water Reuse: Issues, Technologies and Applications*:

[1] American Water Works Association, "White Paper: Principles of Total Water Management Outlined", *MainStream* vol. 38, no. 11 (1994).

[2] N. Grigg, "Total Water Management: Practices for a Sustainable Future" (American Water Works Association 2008) at Page 1.

> The emerging paradigm of sustainable water resources management emphasizes whole-system solutions to reliably and equitably meet the water needs of present and future generations. Understanding the concepts of sustainable water resources management as a foundation of water reclamation and reuse is of fundamental importance.[3]

When Graham Symmonds, Leo Commandeur, and I began Global Water with Bill Levine and Dan Cracchiolo we made it our mission to move Arizona's water policy towards a "sustainable water" model. Referring again to the *Water Reuse* textbook:

> The goal of sustainable water resources development and management is to meet water needs reliably and equitably for current and future generations by designing integrated and adaptable systems, optimizing water-use efficiency, and making continuous efforts toward preservation and restoration of natural ecosystems.[4]

Dan Cracchiolo and Bill Levine have each lived in Arizona for over 40 years – they were and remain key players in Arizona's development story. And they both recognized that Arizona's water industry was far too often ignoring the needs of future generations and of our environment. They had come, on their own, to the same realization that Messrs. Symmonds, Commandeur, and I had, which is also reflected in *Water Reuse*:

> Because of the social, economic, and environmental impacts of past development and the prospects of potential water shortages, a new paradigm for water resources development is evolving, based on the principles of sustainability and environmental ethics.[5]

So, as one can see from those citations, everything that Global Water has been talking about (some would say proselytizing – and I don't necessarily disagree with that characterization), is based on truths that the world's leading water experts are pursuing. These concepts can be summed up by one of the recommendations from the Aspen Institute's 2009 report, "Sustainable Water Systems: Step One - Redefining the Nation's Infrastructure Challenge":[6]

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[3] T. Asano, et al., "Water Reuse: Issues, Technologies and Applications" (McGraw Hill 2007), at Page 6.
[4] *Id.* at Page 7.
[5] *Id.* at Page 7.
[6] Bolger, R., D.Monsma, R. Nelson. "Sustainable Water Systems: Step One - Redefining the Nation's Infrastructure Challenge." A report of the Aspen Institute's Dialogue on Sustainable Water Infrastructure in the U.S. May, 2009.

> Water utilities should employ a variety of practices on the path to sustainability, including: transparency in governance and operation; public outreach and consultation; integrated water management; asset management; workforce management; conservation and efficiency (both water and energy); advanced procurement and project delivery methods; adaptation to and mitigation of climate change; research and development; and technological and managerial innovation.

Q. Why is Total Water Management important for Arizona?

A. Total water management should be at the forefront of Arizona's regulatory agenda, because Arizona and rest of the Colorado River Basin face significant water resource challenges in the years to come. As explained in a recent National Academy of Sciences report:

> Steadily rising population and urban water demands in the Colorado River region will inevitably result in increasingly costly, controversial, and unavoidable trade-off choices to be made by water managers, politicians, and their constituents. These increasing demands are also impeding the region's ability to cope with droughts and water shortages.[7]

and:

> A future of increasing population growth and urban water demands in a hydroclimatic setting of limited – and likely decreasing – water supplies presents a sobering prospect for elected officials and water managers. If the region's water resources are to be managed sustainably and to continue to provide a broad range of benefits to an increasing number of users, the realities of Colorado River water demand and supply will have to be addressed openly and candidly.[8]

It's time that Arizona started making these choices, and the Commission can take the lead by clearly endorsing Total Water Management and Global's sustainable approach.

Q. How does Arizona fit into the larger picture?

A. We did not pick the name "Global Water" by accident – we believe that water is not merely a local issue, nor is it simply a local commodity to be used and priced as cheaply as possible. The world has a finite amount of potable, retrievable water. And what any

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[7] National Research Council, "Colorado River Basin Water Management: Evaluating and Adjusting to Hydroclimatic Variability" (National Academy of Sciences 2007) at Page 72.

[8] *Id.* at Page 153.

community does to its water affects the environment, and affects everyone's water. So, if China poisons water with its industrial waste that will affect more than China. And if Arizona continues to waste its water, or to ignore the long-term costs of using coal to pump water 334 miles uphill, Arizona will affect more than itself.

And on the positive side of the ledger – if Arizona decides to be the world's leader in Total Water Management, if we decide to be the most water-wise place in the world, we will be able to prove technologies and systems that will then be exported globally and we will save millions of people from water crises. I think it's important that the Commission understand clearly that that is what Global Water is about – that is our goal, that is our mission, and that has driven all of our decisions (yes, even the ICFA was based on that view).

Q. How does the ICFA relate to that view?

A. In two ways. First, ICFAs take water planning away from homebuilders – so water is not about "fueling growth" in the short term, it's about sustaining communities and the environment, simultaneously. Second, ICFAs are structured so that no developer-owned water "utility" can compete – Global Parent wears all the risks of permitting, financing, growth, used and useful determinations, safety, and public-private relationships. This is how we came to have so many sections of CC&N area.

Q. What are the results of that effort?

A. In the Maricopa area, we use 40% less water than our neighbors. In the planned Belmont area, we will use 60% less water to sustain that community. In Belmont, we will be down to 0.2 acre-feet per house per year, from 0.5. And developers support us, because of the risk-bearing that Global Parent incurs. In the absence of these measures, economic

development is not practical in these areas. Total Water Management brings sustainability to water short regions.

III. Impact of the economy on our service areas and our company.

Q. Since your direct testimony in this case, has the situation in your service areas changed?

A. Fortunately, the decline we were seeing has stopped, as Graham Symmonds describes in his Rebuttal Testimony. We appear to have stabilized into a situation in which many homes are in foreclosure or are bank-owned, the vast majority of all home sales in our Maricopa region for example are bank-owned sales. But, like the rest of Metro Phoenix, housing in our service areas appears to have stabilized. And we are confident that with adequate rate relief our ability to serve and to attract capital will be assured.

Q. Has Global had an increase in late-paying customers?

A. We have seen late-paying customers dramatically increase. Since the beginning of the recession, 20% of our customers have had late-pay issues. To address that situation we have taken several steps, including an automated phone notification system that has made thousands of 'reminder calls' to late customers in the past year; and we have been very proactive in working out payment plans for customers who are having financial difficulty. The automated reminder calls have reduced our disconnect needs dramatically – I believe that many people really are 'just forgetting' to pay their bill as they deal with housing, employment, and financial situations that are rapidly deteriorating. The results we have achieved through this system bear out my belief, as shown on the attached Exhibit Hill-Rebuttal-1.

For those people who have difficulty paying and who let us know about that situation, our goal is to avoid disconnection. As part of our continuous improvement management approach, we have developed a low-income assistance program which Mr. Symmonds details in his rebuttal testimony. We have also developed a Demand-side Management program, to assist customers in reducing their usage – and thus their bill. Mr. Symmonds describes this program as well.

Q. Have any other factors affecting Global's financial situation changed?

A. Unfortunately, we have seen a continued deterioration in our banking relationships. As the Commission is aware, Global Parent has had a significant relationship with Wells Fargo since our primary shareholder, Bill Levine, joined our team. That relationship was extremely helpful during the 'boom years', but since the banking crisis began, and despite Wells Fargo's receipt of $25 billion in TARP funds it appears that our bank continues to have significant problems.

News reports in TheStreet.com point to a growing rift between management and analysts, driven by the latter group's conviction that Wells Fargo is understating its risks in home equity, commercial real estate, and credit card operations. From our view, as a customer, we have seen a continued increase in fees and interest, and a concurrent aversion to providing financing.

As a result, Global Parent has been forced to pay significantly higher banking fees – therefore we have committed to restructuring our debt, commercial paper, and banking relationships within the very near term. Rate relief will help us to more quickly resolve that situation.

That being said, Wells Fargo has renewed our line of credit, and we anticipate meeting all of our obligations – to regulators, customers, and creditors - while the Commission considers this case.

Q. Does Global continue to work on increasing efficiencies and reducing costs?

A. Yes. It is my belief that growth will not return to anything like the levels we saw in the past 20 years, let alone the past ten. We are organizing our operations on the assumption that growth in Arizona will move to a level one-half the 20 year average – about 1.5 percent. I also am confident that CAP water costs will double within seven years, and triple within 20. I believe the EPA's proposed rules on NOx emissions will be followed by rules on mercury, coal ash, and, eventually, carbon dioxide. All those costs will dramatically affect CAP, which relies on coal-fired generation for all its power.

Further exacerbating the CAP problem, Scripps Institution has twice studied the Colorado River, and the University of Colorado recently studied it, and all three studies said the river's flows will become smaller and increasingly variable. When a commodity becomes more scarce, its costs increase – this is a fundamental law in economics.

Because of these concerns, we are in the process of selling the CAP recharge facilities owned by our unregulated subsidiary, West Maricopa Combine. We will use the proceeds to further our financial restructuring goals – which, in combination with rate relief, will help us meet Staff's recommended equity/debt ratio on a shorter timeline.

As a result of our view on growth and CAP water, Global Water believes that the utility of the future must be very efficient, very lean, and very self-reliant in terms of water. I have discussed above the benefits of Total Water Management in terms of sustainability but it also allows for very efficient utilities. Mr. Symmonds in his Direct Testimony and Mr.

Rowell in his Rebuttal Testimony both provide clear evidence that Global's Total Water Management approach results in more efficient, cost-effective utilities.

While Global will always interact with developers, in the near term, we do not believe that growth services will require much staffing, nor will it require significant resources.

Q. Can you provide an update on capital projects?

A. On a going-forward basis, we have suspended all non-ARRA capital projects other than O&M and repair work.

In the past year we finished our work on the troubled Willow Valley system, and Mr. Symmonds details the tremendous improvements achieved for those customers. We have mothballed $32 million of plant in the Maricopa area – plant built only to comply with repeated Commission orders and indications from Staff to not ask for any further extensions of time.

Q. Do you have any concerns with Staff's treatment of the $32 million of plant Global Water 'Mothballed'?

A. It is worth noting that in this case, $32 million of plant we were ordered to build, and which we voluntarily held out of the case because we believe ICFAs oblige Global Parent to "wear" used and useful risk, was an issue Staff treated dismissively. Yet, in a pending matter, our regulated utility CC&Ns for the Belmont area, Staff has recommended that our CC&Ns be revoked because we hadn't built plant that was not needed due to the fact that no construction is occurring.

I want to highlight for Staff and the Commission the tremendous incongruity of the Staff's apparent "policy", which is this:

1. The Commission will provide CC&Ns but will order utilities to build plant and impose firm deadlines based on forecasts.
2. If the utility finds that the forecast won't be met due entirely to national economic factors and it asks for an extension, its CC&N will be revoked.
3. If the utility builds the plant despite the lack of need, and seeks rate recovery, the Commission will deny that the plant is used and useful.
4. If the utility builds the plant despite the lack of need, and does not seek rate recovery, the Commission will rule that the plant is CIAC anyway.

With a reasonable understanding of modern finance, of the state of the American banking and investment sectors, of the real estate and development market, or even of human nature itself, one can clearly see that the effect of such a policy will be to end any regional planning, and to forever end regional-build.

Looking beyond Global's horizon, the outcome of Arizona-American's rate case further demonstrates that fact – there is literally no person in the water industry who would say that Arizona-American's CAP treatment plant in the West Valley was anything short of a visionary, much-needed, and well-designed plant. Yet, because of the vagaries of growth (which no utility controls) Arizona-American is being punished for its planning and its efforts.

Q. Do you have any forecasts for ICFA revenues in 2010 and 2011?

A. Our forecast is for zero ICFA revenue in those years. Metro Phoenix has, by some reports, as many as 60,000 finished lots and an equal number of vacant homes. That equates to about 120,000 homes and lots that can be sold and built-out before any new developments would begin. If Metro Phoenix returned to its long-term average of about 30,000 homes/lots a year, that is still a four-year inventory.

Obviously, developers won't wait for inventory to be at zero before they begin work, but two factors are at play: First, nobody expects 2010 or 2011 to see 30,000 homes/lots a year in sales, and secondly, no developer will find financing until that inventory shrinks.

IV. Impact of financing methods approved by regulators on sustainability and industry structure.

A. CIAC creates poor infrastructure and weak, undercapitalized utilities.

Q. Staff points out that when it comes to CIAC, Global Water is "the exception to the rule," in that it has very little CIAC in any of its utilities. Can you explain why that is so?

A. We have very little CIAC on our books because CIAC destroys utility companies.

Q. Isn't 'destroys' an exaggeration?

A. No. Arizona is plagued with undercapitalized, poorly run water companies. Wastewater companies routinely have multiple lines and lift stations serving single developments. Recycled water use in Arizona is about 9.8% according to ADWR[9] – and that includes recharge into aquifers, all of the water for the Palo Verde Nuclear Generating Station, and watering hundreds of golf courses.

When the federal government changed the arsenic standard it set off a near-panic in Arizona, and virtually every water company had to apply for WIFA loans and special adjustor mechanisms to manage those loans.

Does anyone really believe that Arizona is poised to confront the implications of water shortages? With arsenic we had water, we had multiple technological solutions to remove

[9] Presentation by ADWR Director Herb Guenther to Valley Forward Association, Phoenix, Arizona, March 16, 2006.

the arsenic, we had CAP water for blending, and we had federal funding – and it was still a virtual crisis.

So, no, I don't believe that saying CIAC destroys utilities is an exaggeration. The CIAC policy puts infrastructure decisions into the hands of homebuilders, it puts system planning into the hands of accountants, and it results in companies that have no ability to earn on a third, one-half, and in some cases even more, of their plant. As a result, when they need to secure financing to deal with an external event (e.g., arsenic rule changes) they cannot.

Normally, if companies cannot adapt to external changes, they perish – Schopenauer's "creative destruction" at work. In the utility world, they don't die; they get "emergency rates" and/or an endless series of general rate cases. At the root of this problem one finds inattentive management that has been too long sheltered by monopoly status. Using CIAC, and not pointing out the effects on capital structure, liquidity, and financeability is emblematic of that sort of "management".

When it comes to sustainable water management, Arizona is nowhere. California is spending tens of billions on next-generation water solutions. The State of South Australia survived and continues to survive a horrific drought, despite a 75% decline in water from their Murray-Darling River system.[10] Florida is building cutting-edge water reuse infrastructure. Asia is spending billions of dollars to reclaim and reuse water. And in Arizona, where drought is a fact of life and not an anomaly, where the Colorado River is running at one-half what we thought it would, where we burn coal to pump water (and are only just beginning to face the economics of that choice), we have well over 400 utility companies "managing" our most precious resource by kowtowing to developers, by failing

[10] Murray System Drought Update, November 2008.

to tell the Commission the truth about CIAC, and by seeking emergency rate relief whenever an external event occurs.

Q. Global Water does use the AIAC mechanism though, isn't that the same as CIAC?

A. No. AIAC is plant that the Global Utilities have to pay back as connections come online. AIAC really is a source of capital in that way, we receive plant, and we pay the developer back over time. When we are committed to repaying we actually have more leverage in requiring the plant to meet our standards. And because we repay the developer we are growing the rate base of the utility – which provides us with assets that can be used to attract further capital should events occur (like the arsenic rule, like wells running dry, etc.).

B. The Commission should consider sustainability when making infrastructure financing decisions.

Q. What should the Commission do?

A. Arizona must adopt sustainability as its primary goal in resource decisions. For water, I believe our goal should be this:

> Sustainable water resources management emphasizes whole-system solutions to meet the water needs of present and future generations reliably and equitably.[11]

It won't be easy – there are many challenges to meeting this goal:

> To make full use of the water resource created by reclaimed water, several challenges must be met. These include institutional and social obstacles such as regulatory developments and public acceptance. Technical and economic challenges must also be addressed.[12]

However, we all have responsibilities to meet the challenge:

> Federal, state and local governments and other entities should find ways to remove or modify institutional barriers and practices that impede or

[11] *Water Reuse, supra,* Page 30.
[12] *Id.,* Page 310.

> prevent sustainable water resource management according to the principles of the Sustainable Path.[13]

Q. How can public acceptance be created?

A. As the *Water Reuse* textbook explains, the key is leadership – especially by political leaders:

> … The public's awareness of sustainable water resources management is essential: thus, planning should evolve through a community value-based decision-making model… [The challenge arises because the] incentives for a water reclamation and reuse program make perfect sense to technical experts… So why hasn't the concept been embraced and supported wholeheartedly by the community? The human side of politics, public policy, and decision-making associated with technological advances are not always in concert with technical experts and technological advances.[14]

Focusing on the *"human side of politics, public policy, and decision-making"* is the essence of what I believe the Commission does as it adjudicates utility matters. This case is about that equation – more than any debate we may have on rate base, rates of return, or expenses, this case will be remembered for good or ill, by the Commission's view of those factors.

Q. It sounds as if you have a pessimistic view of Arizona's situation, do you?

A. I am an entrepreneur, first and foremost. I believe that entrepreneurs see problems and create solutions – and when my partners and I looked for a place to start a Total Water Management company we looked for a place with problems. I would like to point out that the U.S. Department of the Interior agrees with my view:

> Chronic water supply problems in the West are some of the greatest challenges the United States will be facing in the coming decades. The U.S. Department of the Interior (2003) published a report entitled, Water 2025: Preventing Crises and Conflict in the West, which describes the issues that are driving major conflicts between water users in the West. The specific competing issues described in this report are (1) the explosive population growth in western urban areas, (2) the emerging need for water

[13] Sustainable Water Systems, Aspen Institute.
[14] *Water Reuse,* Page 31 (footnote omitted).

> for environmental and recreational uses, and (3) the national importance of the domestic production of food and fiber from western farms and ranches.[15]

Q. So you chose to locate Global Water in Arizona because it faced water problems?

A. Yes, because we knew that, and we looked into the Commission's authority and realized that if it would only choose to do so, it could solve Arizona's water problem.

Q. How could the Commission do that?

A. By solving the fundamental problem facing water planning:

> An important breakthrough in the evolution of sustainability for water resources was achieved when water reclamation and reuse were introduced as options to satisfy water demand. Water reclamation and reuse are also the most challenging options, technically and economically, because the source of water is normally of the lowest quality.[16]

Note the words: *"Water reclamation and reuse are also the most challenging options, technically and economically"*. What agency in Arizona solves technical and economic challenges that utilities face? The Commission.

C. ICFAs can solve sustainability and industry structure problems in Arizona.

Q. What steps should the Commission take to solve the technical and economic challenge of water reclamation and reuse?

A. **First**, put developers completely out of the business of planning, owning, or influencing water and wastewater companies. Their business is selling houses for profit – I am casting no aspersions on them for that, as I said, I am an entrepreneur and I believe that businesses solve problems. But developers solve the problem of providing houses people want and can afford – they don't solve the problem of long-term water resource planning and management.

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[15] *Id.*, Page 23.
[16] *Id.*, Page 25.

Second, require water reclamation and reuse in every new development.

Third, incent acquisitions and consolidations so that regional scale is achieved – which will enable water reclamation and reuse to be implemented.

Fourth, constantly seek ways to increase the usage of recycled water.

Q. Is Global following that four-step path?

A. Absolutely we are, and the tool we use to achieve that is the ICFA. Here is a point by point explanation:

First, ICFAs allowed Global Parent to move developers out of the water planning business – they don't build any plant for us, they don't design it for us, they don't give us CIAC (which would allow them control over planning and building).

Second, we absolutely require water recycling and reuse from every development – by moving developers to financial neutrality on water recycling and reuse, we were able to effectively emplace our vision throughout their communities. As a result, Arizona now has leading-edge applications that have saved nearly 2 billion gallons of water in one community alone.

Third, we used ICFAs to purchase and consolidate small, poorly run water companies that were in the path of growth. We never, ever sought an acquisition adjustment for any of those transactions – our customers will never pay a penny for that consolidation.

Fourth, as we grew in size and scope we continuously worked with regulators, academia, businesses, developers, and water experts to increase reclamation and reuse. I am proud that we work with the USDA, with Rita Maguire and Mike Pearce, that Phil Briggs (who wrote the rules enacting the 1980 Groundwater Management Act) has worked with Global Water. I am proud of the hundreds of presentations we have given and the 25+ awards we have received. All of that has allowed us to force reclamation and reuse deeper and deeper into the communities we serve and will serve in the future. The Belmont development has been lauded in print and at water resource conferences for its world-leading water reuse plan.

Q. If the Commission rejects Global Water's view of the ICFA, what will happen?

A. Eliminating the ICFA eliminates the best tool in Arizona's arsenal – one that eliminates obstacles which have thwarted the currents of responsible water policy for decades, such as development at any pace and any cost, a belief that water should be as cheap as possible, and a belief that our reservoirs would never be less than full, and the Colorado River would always run at or above its historic average. Without the ICFA we will be at the mercy of developers, we will not be able to acquire troubled water companies, and we will have to build plant that is focused on near-term demand and not long-term needs.

Q. What should the Commission conclude about ICFAs?

A. That as long as the money is used for acquisitions (with no acquisition adjustment or premium ever passed on to ratepayers), for financing the carrying costs of installation of regional water reclamation and reuse infrastructure, and for offsetting 'used and useful' issues (by never allowing unused plant into rate base for any company that uses ICFAs), they are in the public interest. In addition, the Commission must recognize the real effect of taxes.

Q. How would the Commission gauge the use of ICFA?

A. **First**, the Commission should insist that ICFA utilities prove they used the ICFA in furtherance of those goals, and not as a dividend or earnings boost.

Second, they should apply the following view:

> Two of the main criteria for project evaluation are economic and financial feasibility. Economic feasibility... is a test of whether the total benefits that result with a project exceed those that would accrue without the project by an amount greater than the project cost... [F]inancial analysis is used to determine whether a project can be implemented rather than to measure the net benefits of a project. Expressed in simpler terms, an economic analysis addresses the question, should a project be constructed? A financial analysis addresses the question, can a project be constructed?[17]

In conducting those analyses, the Commission should assess the following issues, all of which are well within the Commission's purview, expertise, and authority:

> Issues related to planning perspectives, time horizons, the time value of money, and inflation and cost indexes are also considered... Costs and benefits are perceived differently depending on particular viewpoints. A common weakness in water reclamation and reuse is to take a singular viewpoint... Another common error is to ignore externalities. An externality can be defined as the impact or effect of an action or decision made by an individual, group, or entity on others (individual, group, or entities) who were not considered in the decision making process.[18]

As the Commission assesses those issues it must consider that:

> Determining the benefits and costs of a project depends on the perspective from which the analysis takes place: utility, ratepayer, or society perspective... When an analysis is done from the perspective of a utility, only the costs and benefits that directly impact the utility are included in the analysis... Analysis from the ratepayer perspective incorporates costs that are passed on to the water user by the utility plus costs or benefits directly experienced by the ratepayer... For the purpose of determining the optimum alternatives considering all project costs and benefits, including external effects, the society perspective is used. For this reason, the society perspective is appropriate for economic analysis.[19]

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[17] *Water Reuse, supra,* Pages 1406 – 1407 (footnote omitted).
[18] *Id.*, Page 1407.
[19] *Id.*, Page 1408.

The Commission is expert in conducting economic, systemic, and financial benefits analysis. I am not familiar with how, or whether the Commission evaluates societal benefits, so I would offer my view that the appropriate test for societal benefits is this:

> The goal of sustainable water resources development and management is to meet water needs reliably and equitably for current and future generations by designing integrated and adaptable systems, optimizing water-use efficiency, and making continuous efforts toward preservation and restoration of natural ecosystems.[20]

Q. Do you have any concluding remarks regarding the ICFAs?

A. Yes. I believe there is no debate that the consolidation of small undercapitalized utilities is a good thing. It is important to emphasize that such consolidation should not take place at the regulated utility level (e.g., Santa Cruz should not be buying other water companies.) Rather, consolidation should take place at the holding company level. Since ICFAs were used as a tool to effectuate consolidation they had to be executed at the holding company (GWR) level. Because of this, revenue generated by the ICFAs is parent-level revenue and thus is taxable. Ignoring the tax liability associated with the ICFA revenues is inappropriate regardless of the regulatory treatment ultimately decided upon for the ICFA revenue.

Global has never contended that ICFAs are non-jurisdictional. Global has always contended that ICFAs are in the public interest and that upon examination the Commission would conclude that as well. Global's position on ICFAs has been consistent: they are a tool that allows for consolidation and that offsets the carrying costs associated with emplacing regionally scaled infrastructure. The ICFA revenue available to use for these purposes is offset by the tax liability generated by those revenues. Also, as Staff points out, parent-level expenses (that are not allocated to the utilities) also offset the ICFA

[20] *Id.*, Page 7.

revenues available. When considering the regulatory treatment of ICFAs all of these issues must be considered.

In summary, the following factors must be considered when determining the regulatory treatment of the ICFA fees:

1. The tax liability generated by the ICFA revenue;
2. Acquisition premiums associated with consolidation;
3. Carrying costs associated with regionally scaled infrastructure; and
4. Parent-level expenses not allocated to the utilities

If it is determined that ICFA revenues exceed the sum of these four categories of offsets than the reminder might reasonably be considered to be CIAC. However, in this case the sum of these offsets actually exceeds the ICFA revenues collected and thus there is no reason to conclude that any of the ICFA revenues should be treated as CIAC.

D. Staff's negative rate base recommendation is extreme and inappropriate.

Q. What is the effect of Staff's decision to create negative rate base for the West Valley utilities?

A. Staff's adjustment takes ICFA revenue that we received and then used to acquire troubled water companies and drives the rate bases of those companies below zero.

I have no idea why Staff does this. Global Parent took that money and bought troubled water companies – for which we paid a premium in spite of their negligible rate bases. We didn't pay that premium because we had no "disincentive" not to, we paid that premium because of how CIAC-based utilities function financially. It's vitally important to understand this issue. When a utility has no rate base, the Commission pays an operating

margin above and beyond operating expenses. This totally incents CIAC-based companies to have high operating expenses (see Mr. Rowell's analysis of Global's performance relative to its peers) so that their operating margin will be quantitatively larger. [If a utility has $400,000 in operating expense and receives a 7% margin it receives $28,000. If that utility reduces operating expense to $300,000 that 7% margin will generate only $21,000.]

Now, when Global seeks to acquire one of these CIAC-based utility companies we deal with the fact that they have no investment (as in West Maricopa Combine, Francisco Grande, and CP Water) yet they generate cash flows. For their owners this is a very nice situation – they put no money in and they get paid a return. But it actually gets worse for Global. Because these utilities are incented to have high operating expenses they have lots of labor, and nearly always the owners and managers hire relatives and friends.

So Global has to pay an amount of money that is sufficient to get the owners to walk away from earning money on developers' investment, and that leads to friends and family being rolled into a big holding company (where, frankly, many of them do not succeed).

It is not in any way accurate to suggest that Global was indifferent to the prices we had to pay. The reality in Arizona is that the CIAC model has created absurd economic situations and wildly enriched many water company owners by allowing them to make money despite having no rate base whatsoever – and to employ their friends and family at the same time!

In spite of that, Global didn't seek any acquisition adjustment related to its purchase, thus those purchases had no effect on rate base whatsoever.

After we bought the companies, we infused $13 million in improvements. We fixed a horrible water quality situation in Willow Valley. We emplaced automated meters in Valencia and Greater Tonopah. We solved water quality and supply issues in Valencia – Greater Buckeye Division by interconnecting the system. We solved a very poorly planned arsenic treatment situation in Valencia – Town Division.

Staff's recommendation is to use money that no party believes we kept – clearly we gave it to the former owners of West Maricopa Combine, and destroy the value of every investment we made thereafter.

Q. If Staff's recommendation is adopted will it have any effect on Global Water's efforts to acquire and consolidate small water companies?

A. We will never do so in Arizona again.

Q. Why is it that extreme?

A. Because these CIAC-based water utilities cannot be bought cheaply. They earn money on money they didn't invest – who would want to sell such a business? They employ their friends and family and increase operating expenses – and they earn money on that as well – who would want to shut down such a business? Because they have no incentive to invest money, they will never have a rate base – thus any purchase price will always be at a 'premium'.

Because when we purchase a utility we usually know we will have to make it into a Total Water Management Company. That takes significant time and money.

Staff's position is that when we acquire these zombie companies we will be punished by not being allowed to recover the investments we make in plant until such time as the rate base becomes positive.

Again, let's be very clear: Global Water didn't seek any acquisition adjustment for any transaction it has ever completed.

We have acquired 15 utilities – and never sought a single penny in acquisition adjustment. Staff ignores that, and uses money that Global Parent spent on an acquisition to destroy all the subsequent plant investments the Global Utilities made. There is no more extreme position than that which Staff advocates – and if adopted, we will cease expansion in Arizona and will be forced to carefully evaluate whether or not to continue operations in Arizona or to seek a pathway out of the Arizona utility sector.

V. Response to specific Staff and RUCO positions.

A. RUCO'S position on ICFAs.

Q. Can you respond to RUCO's position that ICFAs should be treated as CIAC going forward from this case?

A. I appreciate that RUCO doesn't support 'after the fact' revisions and accounting treatments. I would ask RUCO to consider that using ICFAs for acquisitions may well be in the public interest, and the use of ICFAs to build regional water reclamation and reuse may well be in the State's interest, and that shielding customers from paying for unused plant is in the ratepayers' interest. I would ask RUCO to consider my arguments and rationale.

I believe the test of whether the ICFA is in the public interest is the benefits of ICFA. Using the ICFA, Global Water has achieved acquisition and consolidation on a scale unseen before in Arizona – despite the Water Task Force report a decade ago which said Arizona needed to encourage consolidation.

Using the ICFA, Global Water has built regional water reclamation infrastructure on a scale unseen before in Arizona – and proven that 40% reductions are possible, and planned a community that will use 60% less water than normal.

Using the ICFA, Global Water built ahead of hyper-growth in Pinal County, and when that growth collapsed, Global Parent was able to shield customers from $32 million in stranded plant.

B. Proposed compromise on ICFAs.

Q. Does Global believe that there is a 'middle ground' position on the ICFAs?

A. I appreciate that Staff and RUCO explicitly consider ICFA revenue to be CIAC on a going-forward basis.

I think we can all agree that long-term, regional planning and regional infrastructure are both desirable and essential. The real question is: how do we achieve it? A mechanism that requires the development community to pay for future growth, that develops and protects water resources, and that shields ratepayers from a used-and-useful impact is needed. In the case of the ICFA, Global Parent finances the installation of regional-scale infrastructure, the fees cover a portion of the carrying costs associated with that financing arrangement, and the ratepayers receive insulation from a used and useful argument, as well as being the beneficiaries of the facilities and water resources planning.

There will be times, however, when the ICFA revenue is not employed in the financing of facilities. In those cases, it is important that a determination on the identity of those funds be made. In the interest of moving towards consensus, I would like the parties to consider the following proposal: That the Commission find that ICFA revenue is CIAC unless the Company can prove it was used to enhance the public interest by engaging in acquisitions; regional planning and build; large-scale conservation; infusion of renewable water supplies into service areas; and reclamation and reuse.

With this definition in hand, the Commission retains its position of being the arbiter of plant finance, and can ensure that the policy goals of integrated water resources infrastructure, regional planning and the long-view of resource management are met.

Q. In what ways could ICFA revenue be used to enhance, or further, the public interest?

A. In order to protect the public from the certainty of increasing water scarcity and increasing water costs, the Commission should:

- Find that ICFA revenues used for acquisitions and consolidations are in the public interest,
- Find that ICFA revenues used to negate utility claims for rate base treatment of unused regional plant are in the public interest,
- Find that ICFA revenues used to purchase CAP water or other renewable water rights are in the public interest,
- Find that ICFA revenues used to acquire Designations of Assured Water Supply (modeling, analysis, exploration etc) are in the public interest,
- Find that ICFA revenues used to expand DSM and BMP programs beyond statutory and regulatory requirements are in the public interest.

Q. Who would bear the burden of proving that the ICFA revenues were used in those ways?

A. The Company.

Q. Who would bear the burden of proving that the ICFA achieved a public interest goal in each of those ways?

A. The Company.

Q. Who would make the final determination on the Company's application?

A. The Commission.

Q. How does Global Parent see the disposition of ICFA revenues in the future?

A. Our philosophy remains the same. Acquire and grow utilities in the path of growth and infuse our Total Water Management program to achieve sustainability. So I see the following:

- Assuming that Staff's recommendation with respect to ICFA revenues in this case is not upheld, we will continue to acquire and consolidate undercapitalized utilities and infuse them to the greatest extent possible with the Total Water Management philosophy.
- Continuing to allocate ICFA revenues to the financing of regional water, wastewater and recycled water infrastructure to achieve our Total Water Management goal as necessary.
- Continuing to build regional plant so we will always confront the used and useful issue at the Global Parent level, thereby insulating the rate-payers from this risk
- Acquiring renewable water supplies. While we are moving away from CAP water as a result of our concern with the Colorado River supply, the EPA rules on NOx (and the

looming rules on coal ash, mercury, and carbon), we may need to incorporate CAP or other renewable water rights acquisition at some future point.

- Implementing dramatic increases in DSM and BMPs will be necessitated by the erosion of CAP water and the increases in CAP costs.
- In cases where plant is directly funded by ICFA revenues, the after-tax, actual plant payments will be considered CIAC.

Q. Has any party indicated support for any of those pathways?

A. RUCO has stated in response to discovery requests that using ICFAs for acquisitions should be considered on a case-by-case basis[21]. And Staff's Direct Testimony included an off-set to their ICFA imputation for unused plant that Global excluded from rate base[22]. But neither party has addressed Global's achievements in water conservation, regional reclamation and reuse, or our efforts in public outreach and education. I would hope that the Commission would consider those elements in reaching its conclusions on Global Water's efforts and accomplishments.

C. Staff's recommendations concerning Public-Private Partnerships.

Q. What is your reaction to Staff's concern about the P3s?

A. Staff recommends that our Public-Private Partnership (P3) fees not be recovered, unless the P3 is approved in a franchise election. Staff's recommendation ignores the benefits of the P3, and that the P3 was approved by the elected representatives of the same voters who would vote in a franchise election. The list in Staff's testimony proves better than any evidence in the case the reasonableness of the P3s and MOUs:

- Each document is different, and

[21] RUCO Response to Global data request 2.2, Nov. 12, 2009.
[22] Direct Testimony of Linda Jaress, Page 14, lines 16-19.

- Each document meets the needs of the municipality or the tribe and demonstrates and commits Global Water to supporting that government.

This is exceptionally rare and should be encouraged – Global Water doesn't provide any funds to Ak-Chin or Buckeye, because funding was not a need for them. Global Water provided funding and coordinated development with Maricopa because the City needed that when its population increased over 500% in five years.

Growing Smarter requires cooperative efforts – and it requires Cities and Towns to look to their growth corridors and take responsibility for long-term planning of those areas. Maricopa, Casa Grande, and Buckeye all have done so, at significant cost.

As I explained on page 25 of my direct testimony, the P3s provide a number of benefits:

- Close cooperation on water conservation measures;
- Mutual exchange of development information, such as building permits, GIS data and water hook-ups;
- Coordination of Regional Planning;
- Coordination of the City's obligation under Arizona's Growing Smarter legislation;
- Emergency services co-ordination via SCADA (fire flow responses etc)
- Expedited processing of certain permits;
- A commitment to meet and discuss issues often; and
- Access to public streets rights of way.

While I understand Staff's desire to have the citizens of Maricopa hold an election to vote on the P3, I would point out that there have been city elections since the P3 and the issue has been raised in countless City Council meetings, it was written about extensively in the

local media, and at no point has the City Council felt the need to either hold an election on the issue, or to seek to rescind our cooperative relationship.

Global Water undertakes significant outreach under the P3s, because it is part of our philosophy, and because it is crucial to achieving our goal of being an environmentally ethical company:

> Environmental ethics plays a significant role in sustainable water resources management by bringing equity into consideration in the context of societal needs and environmental stewardship. Public participation in planning and project development is essential to identify community priorities and concerns, which include not only equity but also growth impacts, cost, and public safety.[23]

Public outreach and communication, which leads to public participation in planning and development, is critical to our core mission. Such cooperation is critical when planning for distributed recycled water systems and regional infrastructure. No longer are we "snapping" our facilities into an existing plan, but we are active participants in the development of the plan.

Cooperation in the earliest stages of planning is essential – and the P3s provide the method for that cooperation. I would add that this wholly comports with Arizona's Growing Smarter laws.

D. Renewable Energy Tariff.

Q. What is your reaction to Staff and RUCO's rejection of Global Water's renewable energy proposal?

A. I am very disappointed by their belief that renewable energy hasn't been proven beneficial and by their concern with whether renewable energy would work. And I do not understand

[23] *Water Reuse, supra,* Page 30.

how Staff and RUCO can be parties to the APS Settlement which, in Section 15.7 says that APS will recover the costs of its RE, transmission, and DSM work through its PSA and then say that the Global Utilities' renewable energy costs shouldn't flow through an adjustor. Citigroup's position on the APS Settlement is:

> Under the terms of the settlement, renewable rate treatment is more clarified. Prudently incurred operating costs and costs of capital are explicitly recoverable in the settlement for renewable projects through 1) renewable energy surcharges, 2) the transmission cost adjuster, or 3) the power supply adjuster, as appropriate.[24]

So while APS has numerous adjustors, a 10.5% ROE (which may rise to 11% if the RUCO-Staff Settlement is adopted), and virtual immunity from commodity price fluctuations, it can also look forward to annual pass-throughs of "operating costs **and costs of capital**" for RE, transmission, and DSM efforts. In Global's renewable energy proposal we would true up power expenses to mitigate the looming increases in electric rates that the Global Utilities face. I would have hoped that Staff and RUCO would have at least considered our proposal – because the difference between APS getting cost of capital recovery through adjustors while we cannot simply put plant into rate base is extraordinary.

[24] "Looking Ahead to the ALJ Recommendation", Citigroup Report on PNW, Nov. 12, 2009, Brian Chin, analyst

Rowell Rebuttal Testimony

DOCKET NOs. SW-02445A-09-0077 *et al.*

Rebuttal Testimony
of
Matthew J. Rowell

November 20, 2009

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I. Introduction.

Q. What topics will you address in your rebuttal testimony?

A. I begin by discussing the economic implications of Arizona's arid climate and extended drought. I then respond to Staff's and RUCO's positions concerning ICFAs. As part of that response, I demonstrate that the Global Utilities' aggregate capital structures are similar to other Arizona utilities in terms of advances and contributions. I remark on Staff's failure to address my direct testimony concerning carrying costs. I refute Staff's conclusion that ICFA fees should be imputed as contributions because they are a cost-free source of capital. I also explain that even if the Commission accepts that conclusion, any imputation of contributions should be reduced by off-sets for acquisition premiums paid, parent-level expenses paid, and taxes paid, as these items would clearly reduce the amount of any allegedly "cost free capital".

I explain the link between ICFAs and efficient regional infrastructure. I also show that the Global Utilities' regional infrastructure results in lower operating expense as compared to other Arizona utilities, thus creating long-term benefits for ratepayers.

I describe the regulatory policy implications of Staff's decision to impute all ICFA fees as contributions. I show that Staff's approach would create a strong disincentive for future acquisitions of water utilities – a result that I consider especially unfortunate given the highly fragmented and undercapitalized nature of the water utility sector in Arizona. I also describe how Staff's approach results in negative rate base, which in turn destroys any future incentive to invest in infrastructure for such utilities.

I also explore various alternative scenarios that the Commission could consider if it concludes that ICFA fees should be partially imputed as contributions. Lastly, I will respond to Staff's and RUCO's cost of capital testimony.

II. Economic Implications of Drought and Aridity.

Q. Global witness Graham Symmonds provided testimony concerning current and projected drought conditions. Are there any economic implications of the current and projected drought conditions discussed by Mr. Symmonds?

A. The drought issues discussed by Mr. Symmonds are not confined exclusively to Arizona. They affect the entire Southwestern United States. Additionally, recent years have seen severe drought conditions (and in some cases water shortages) in non-arid parts of the country like Georgia. So when we consider factors that businesses might consider when deciding where to locate facilities, the drought in and of itself may not be extremely important. What matters is how the leaders of different areas of the country respond to the reality of the water issues they face. Areas that are perceived as being proactive in addressing the affects of the drought may have an advantage in attracting businesses compared to areas that stick to the status quo. This is especially true for Arizona. It is no secret that Arizona's population centers are in the desert. It is also no secret that sustaining a large civilization in the desert requires advanced water infrastructure. If Arizona is perceived as being reluctant to address the reality of our arid environment it will be devastating for our long-term economic development.

Q. Are these issues really important to businesses when deciding where to make investments?

A. Investors with a short-term mindset may care little about sustainability issues. But for a business making long-term capital allocation decisions such as where to locate a multi-billion dollar manufacturing facility these issues are extremely important.

Q. Why is it important to attract businesses to Arizona?

A. A vibrant economy requires a diverse base of well-paying jobs. For the economy to thrive we cannot rely on one industry (such as home construction) to be the engine for the economy. Without a diverse and stable job base Arizona's long-term economic prospects will be lackluster.

Q. Does the Commission regularly consider economic impacts when deciding regulatory and ratemaking proceedings?

A. Absolutely. For instance, the plant and line siting statutes require the Commission to balance the economic benefits with the environmental impacts of new infrastructure, the Commission's REST rules, its pending Energy Efficiency rules, and its long history of support for Demand Side Management all are based in large part on the long-term economic benefits of those actions. I believe the Commission can and should do the same with its water policy – in fact, in many cases it already has done so by requiring more than the bare minimum of ADWR's Best Management Practices.

Q. Are other states addressing the drought issue?

A. On November 4, 2009 California passed what has been called "unprecedented" legislation designed to address its significant water issues.[1] Although the ultimate effectiveness of this legislation is yet to be determined, high profile action of this sort does send the signal that California's leaders are serious about taking action, to address the state's water needs. With neighboring states taking such action, Arizona cannot afford to be perceived as being less than proactive regarding the management of its water resources.

[1] See http://features.csmonitor.com/politics/2009/11/04/california-lawmakers-pass-sweeping-water-reforms/

Q. How does the above discussion relate to the current Global rate case?

A. As detailed in the 2008 ASU W.P. Carey School of Business infrastructure study,[2] Arizona needs to spend in excess of $109 billion over the next 25 years on its water and wastewater infrastructure to meet growth and water scarcity requirements. As discussed by Mr. Hill and Mr. Symmonds, Global has begun to make significant investments in infrastructure that allows for real conservation and efficient water management. Global relied on an innovative financing technique (ICFAs) to partially offset the huge carrying costs associated with such infrastructure and the acquisition premiums paid as a result of the purchase of several under-capitalized utilities. To punish Global for being innovative as it addresses the huge capital costs associated with regional infrastructure could send the message that Arizona is not committed to addressing its water infrastructure needs.

III. Response to Staff's Position Regarding ICFAs.

A. General Comments on Staff's Position.

Q. Do you have any general comments regarding the testimony of Staff witness Linda A. Jaress regarding ICFA fees?

A. What is most striking about Ms. Jaress' analysis is the disparity between her conclusions regarding ICFA fees and her recommendation regarding how the fees should be treated. Ms. Jaress concludes that there are several potential and actual uses for the ICFA fees, yet she recommends that they all be treated as if they were used for one particular purpose, i.e., directly funding plant.

[2] http://www.arizonaic.org/images/stories/pdf/AIC_Executive_Summary_Final.pdf

Q. What are the different uses of ICFA fees that Ms. Jaress acknowledges in her Direct Testimony?

A. The various uses for ICFA fees that Ms. Jaress posits are listed here:

- Ms. Jaress indicates that ICFA fees allow Global to "receive a return of, or a return on, an investment in the Global Utilities regional plant..."[3] Receiving a return on an investment is fundamentally different than having that investment funded by a cost-free source.

- Ms. Jaress states that in a case where Global already has enough capacity to serve an additional developer "Then the ICFA fees paid by the developer could be used for purposes other than providing services to the developer."[4] Here Ms. Jaress specifically acknowledges that ICFA fees can be used for purposes other than to build plant needed to serve a developer.

- Ms. Jaress states that "(T)he fees paid by a developer could be used to purchase other public utilities."[5] Global has contended all along that ICFA fees have been used to purchase other public utilities and here Ms. Jaress specifically acknowledges that that is a potential use of ICFA fees. Ms. Jaress acknowledges that Global has spent $43 million on purchasing utilities since 2004.[6]

- Finally, in response to data requests, Ms. Jaress concedes that "The ICFA fees are cash and are used in the same manner as cash generated from normal revenues, external financing and earnings."[7] Thus, although Ms. Jaress recommends treating every dollar of ICFA fees as though they directly funded plant, Ms. Jaress

[3] Linda Jaress Direct, page 10, lines 13 through 16.
[4] Linda Jaress Direct, page 9, lines 19 through 21.
[5] Linda Jaress Direct, page 9, lines 21 and 22.
[6] Linda Jaress Direct, page 10, line 3.
[7] Staff Response to Global 2.1.a.

acknowledges that in fact ICFA fees have a variety of uses. Notably, even if ICFA fees did directly fund plant, plant funded by "normal revenues, external financing and earnings" is included typically in rate base (subject to prudence and the like).

B. Staff's Conclusion Regarding ICFA Fees.

Q. What is the basis for Staff's conclusion that the ICFA revenues were used to directly fund investments in plant?

A. It is not entirely clear how Staff came to the blanket conclusion that *all* of the ICFA fees were used to fund plant. But Staff does provide three separate rationales for their conclusion. Ms. Jaress states:

> "Finally, and most importantly, because the fees are accounted for by the Global Parent as revenue and not separately tracked (i.e., comingled) by the Global Parent, it is reasonable to conclude that *some or all* of the fees were invested in the Utility to pay for plant." (Emphasis added.)[8]

This appears to be Staff's principal justification for treating all of the ICFA fees as if they were used to fund plant. Yet even here Staff only states that it is reasonable to conclude that *"some or all"* of the ICFA fees were used to build plant. How Staff moves from "*some or all*" to just "all" is not clear.

Staff does provide two supporting rationales for its ICFA recommendation. Ms. Jaress provides the following as an additional justification for Staff's recommended treatment of ICFAs:

[8] Linda Jaress Direct Testimony, page 10, lines 6 through 8.

"It is not reasonable to assume that the Global Parent could collect ICFA fees absent its relationship with its utilities. The (ICFA) fees are only collected in instances whereby a developer or landowner needs plant for utility service. Therefore, Staff views the ICFA fees as an integral part of Utilities' financing of plant used to supply utility service." [9]

Ms. Jaress then goes on to argue that the lack of CIAC on the books of Palo Verde and Santa Cruz is additional justification for Staff's recommended treatment of the ICFA fees. Staff argues that "(T)he Global Parent enters into ICFA contracts in place of the Utilities accepting contributions."[10] Staff bases this presumption on their belief that "Most Arizona water and sewer utilities have significant amounts of CIAC on their books. Palo Verde and Santa Cruz, along with the other Utilities, are the exception to the rule."[11]

Q. Do you agree with Staff's first reason for concluding that ICFA fees should be treated as CIAC, because they are accounted for as revenue and not separately tracked?

A. No. The simple fact that the fees are treated as revenue and not separately tracked has no bearing on how the fees are ultimately used or how they should be treated. In fact, this is the opposite of how CIAC is normally treated. Typically CIAC is *not* treated as revenue and it *is* separately tracked. It is not clear at all how the simple fact that the ICFA fees are treated as revenue and not separately tracked leads to Staff's conclusion that they are used to fund plant. The fact that ICFA fees are not separately tracked means that they *could* be used to fund any activity of the parent. How Staff narrows in on one specific potential use is not clear.

[9] Linda Jaress Direct Testimony, page 12, lines 4 and 5.
[10] Linda Jaress Direct Testimony, page 12, line 9.
[11] Linda Jaress Direct Testimony, page 12, line 17-18.

Q. Do you agree with Staff's second reason for concluding that ICFA fees should be treated as CIAC, that they are only collected in instances whereby a developer or landowner needs plant for utility service?

A. No. For two reasons this line of reasoning is unsupportable. First, Ms. Jaress specifically acknowledges that ICFA fees can be collected from developers in instances where there is no need for additional plant to serve them.[12] Global's model of building plant on a regional scale means that in many cases the capacity needed to serve a particular developer was built *prior to* that developer paying the ICFA fees. This is in stark contrast with traditional CIAC that is meant to fund *additional* capacity needed to serve a developer. In fact, in a recent wastewater rate case (Black Mountain Sewer Docket No. SW-02361A-08-0609) Staff recommended against allowing the company to impose hookup fees (the proceeds of which would be treated as CIAC) because the company already had enough capacity to serve new developments.

Second, simply because the Global Parent could not collect ICFA fees "absent its relationship with its utilities" does not imply anything about how the funds are ultimately used. The issue here is not why the Global Parent is able to collect ICFA fees but rather what it does with the fees once collected. These are two distinct questions and Staff has offered no explanation of how one affects the other.

Q. Do you agree with Staff's third reason for concluding that ICFA fees should be treated as CIAC, that the Global Utilities have no CIAC when the industry norm is to have significant amounts of CIAC?

A. It is true that Global has cast a jaundiced eye on CIAC. As discussed in the Rebuttal Testimony of Trevor Hill, Global has generally avoided the use of CIAC as a financing tool in order to avoid the significant problems it can cause. Relying on developer-

[12] Linda Jaress Direct Testimony, page 9, lines 18 and 19.

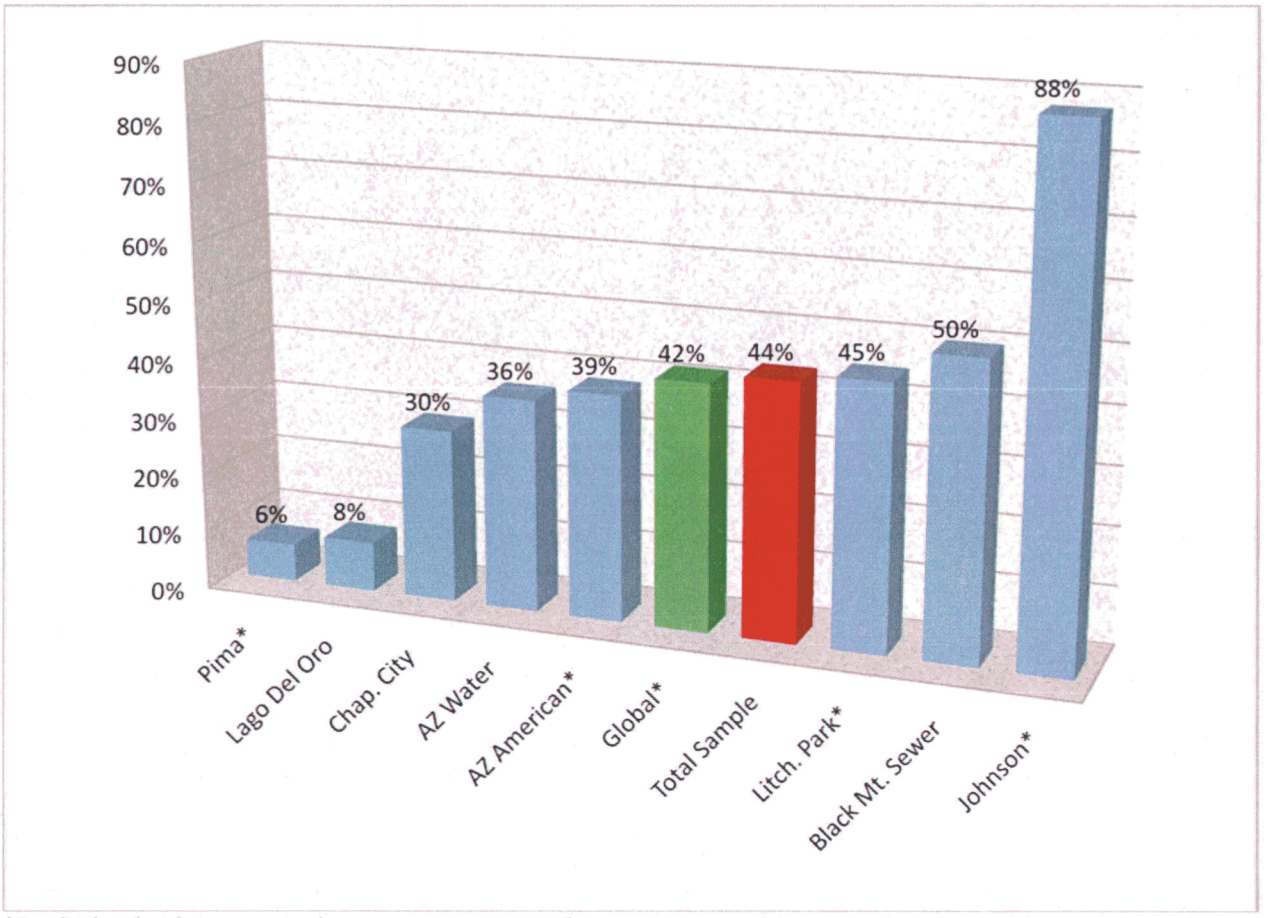
contributed plant lets developers control what type of plant is to be built. Also, in the long run an overreliance on CIAC can have devastating financial consequences for a utility. However, Staff's contention that Global's low level of CIAC relative to the industry norm indicates that the ICFA fees are nothing more than a replacement for CIAC is unsupportable for at least two reasons.

First, some of the Global Utilities do have substantial CIAC balances. For instance, Valencia Greater Buckeye Division has a CIAC balance that is over 14% of its Utility Plant in Service. Thus its CIAC balance relative to its Utility Plant is higher than either Arizona American or Arizona Water.

Second and much more importantly, while it may be true that the Global Utilities as a whole have little CIAC on their books, they do carry a significant amount of AIAC. Indeed, Staff concedes that "Ms. Jaress' testimony should have included advances in its characterization of how certain plant is financed."[13] When we look at the combined balance of AIAC and CIAC of several Arizona water and wastewater companies we see that the Global Utilities are not outside of the industry norm. Chart 1 below shows the combined AIAC and CIAC balances as a percentage of Utility Plant in Service of the Global utilities and of several other large Arizona water and wastewater companies.

[13] Staff Response to Global 2.2.a.

CHART 1: Combined AIAC & CIAC as a Percent of Utility Plant in Service



*Includes both water and wastewater operations.
Source: 2008 annual reports

Clearly, when both sources of developer funded plant (AIAC and CIAC) are considered the Global Utilities as a whole are not atypical. The Global Utilities actually have a higher percentage of developer-funded plant than Arizona-American, Arizona Water, Chaparral City Water, and the Robson Utilities. Thus Staff's assertion that the ICFA fees are simply a replacement of plant funding that typically comes from developers is not supported by the facts.

Q. Why do you believe that comparing combined AIAC and CIAC balances is more instructive than focusing on CIAC alone?

A. First, for regulatory purposes AIAC and CIAC are generally treated the same way. In rate proceedings AIAC and CIAC are both subtracted from rate base. Also, in CC&N cases Staff has taken the position that the combined AIAC and CIAC balance should not exceed a specified percentage of utilities' capital structures. AIAC and CIAC are treated the same way because they are so similar. They are both developer-provided capital specifically intended to fund the construction of plant.

Second, over time AIAC balances tend to (at least partially) convert to CIAC. AIAC agreements generally require that the utility pay the developer back its AIAC over time as development occurs. If development occurs more slowly than expected the unreturned AIAC balance converts to CIAC after a specified time period. It is rare that a developer will receive 100% of their AIAC payments back. At least some portion, and in some cases a significant portion, of the AIAC balance ends up converting to CIAC. Thus, Palo Verde's and Santa Cruz's lack of CIAC can be attributed to their relative youth. Unlike many other Arizona water and wastewater companies, Palo Verde and Santa Cruz have simply not been around long enough for their AIAC balances to convert to CIAC. In any case, the close relation between AIAC and CIAC means that it is improper to focus on CIAC and ignore AIAC when making determinations about a utility's source of funds.

C. Risk.

Q. At page 13 lines 18 through 22 of her Direct Testimony, Ms. Jaress indicates that the ICFA fees transfer the risk of unsuccessful development to the ratepayers. Please comment on Ms. Jaress' discussion of risk.

A. The ICFA fees do not transfer risk to the ratepayers. The risk is born by Global with or without ICFA fees. The Commission's rate making authority is ultimately what protects

the ratepayers and that authority is not affected by ICFAs. If a piece of plant is deemed to be not used and useful the Commission has the power to exclude it from rate base.

Q. How do ICFA fees relate to development risk?

A. Building large-scale regional infrastructure in areas where development is occurring is an inherently risky endeavor. If development occurs more slowly than anticipated, the utility could be stuck with millions of dollars of installed plant on which it can earn no rate of return. This risk is a real deterrent to building regionally-scaled infrastructure. The ICFA fees mitigate that risk in that developers compensate Global for bearing that risk.

Q. Why is Staff's position regarding development risk problematic?

A. Staff appears to be recommending that development risk should be dealt with by disallowing plant whether it is used and useful or not. Staff essentially replaces the risk of a disallowance with the certainty of disallowance. Such a policy will discourage the building of regionally-scaled infrastructure.

D. Cost-Free Capital.

Q. At several places in her testimony Ms. Jaress refers to the ICFA fees as "Cost-Free Capital." Do you agree that the ICFA fees are cost-free capital?

A. No. The ICFAs are an integral part of Global's strategy of emplacing regionally-scaled infrastructure. That strategy results in significant carrying costs for Global Parent (Discussed in my Direct Testimony and below.) Thus, it is inappropriate to ignore these carrying costs when considering ICFA fees.

Additionally, Ms. Jaress acknowledges that "... a portion of the ICFA 'revenue' is offset by expenses."[14] These offsetting expenses are not mentioned again in Ms. Jaress' testimony. Staff does not attempt to net these expenses out of their ICFA-related rate base adjustment.

Q. What is the level of these offsetting expenses discussed above?

A. It is not possible to track specific expenses to specific ICFAs. However, Global Water Resources ("Global Parent") incurs significant expenses that it does not allocate down to the utilities (as is the industry norm.) These expenses include executive salaries and various overhead items which totaled over $3.9 million in the test year. Ignoring these Global Parent level expenses that are not allocated to the utilities when recommending an adjustment based on the ICFA fees is not appropriate.

Q. Is Staff aware of these GWR level expenses?

A. Ms. Jaress acknowledges in her testimony that only the portion of the ICFA revenue that is not offset by expenses becomes net income for Global Parent and is thus available to invest in the utilities.[15] In spite of this, Staff's recommendation assumes that *all* of the ICFA revenues are available to invest in the utilities. Staff offers no explanation of this disparity between their analysis and their recommendation.

Q. Is there another reason why it is inappropriate to refer to the ICFA revenue as "cost-free capital?"

A. Yes. The revenue generated from the ICFAs is taxable. In fact, the $60 million in ICFA fees collected generated a tax liability of $24 million. How a source of funds that generates a $24 million tax liability can be characterized as "cost-free" is not at all clear.

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[14] Linda Jaress Direct, page 9, line 3.
[15] Linda Jaress Direct, page 9, lines 3 and 4.

Q. How does Staff address the issue of the tax liability generated by the ICFA fees?

A. Staff does not mention the tax liability generated by the ICFA fees at all in their Direct Testimony.

E. Staff's Position on Carrying Costs.

Q. Why is it that Global finds it necessary to include fees in its negotiated ICFA contracts with developers?

A. As I discussed extensively in my Direct Testimony filed in this case and will discuss further below, the large and unrecoverable carrying costs associated with Global's model of building regional-sized infrastructure necessitate the use of a nontraditional financing technique.

Q. How does Staff address the issue of carrying costs?

A. Staff does not appear to address the issue of carrying costs at all. At page 6 of her Direct Testimony Ms. Jaress does acknowledge that Global contends that the ICFA fees are necessary to (partially) offset carrying costs. However, carrying costs are not even mentioned anywhere else in Ms. Jaress' Direct Testimony. So Staff does not address the carrying cost issue at all in Direct Testimony.

Q. How was Staff able to avoid addressing the carrying cost issue in their Direct Testimony?

A. Staff appears to have been very selective when laying out Global's position on the ICFA fees. For instance, at page 9 of her Direct Testimony, Ms. Jaress quotes the testimony of Global witness Cindy Liles from a previous case.[16] Ms. Jaress selects the quote "(T)he ICFA model allows Global Parent to infuse significant equity into its utility

[16] Arizona Water Company complaint against Global Docket No. W-01445A-06-0200 et. al. Ms. Liles has not provided testimony in the current rate case.

subsidiaries..." In Ms. Liles' testimony there is a reference to carrying costs immediately above this quote but Ms. Jaress selectively chose not to address that. A more complete quote that effectively conveys what Ms. Liles was attempting to communicate is provided here:

> Palo Verde and Santa Cruz added approximately $136 million of infrastructure in these first six years. If customers covered these carrying costs – or this plant was added to rate base before many customers joined the system – rates would have skyrocketed. But doing nothing would have made integrated, regional systems unaffordable. Global Parent could not absorb carrying costs on this $136 million for years. By using the ICFA model, Global Parent was able to finance the staggering growth while maintaining stable, reasonable rates that furthered conservation. The ICFA fees are paid entirely by developers.... Utility customers will not bear any of the costs of ICFA fees through rates. The Global Utilities will not seek any revenue from customers associated with ICFA fees. While the ICFA model allows Global Parent to infuse significant equity into its subsidiaries, ICFAs do not require any particular capital structure.... However, the ICFA model allows customers to enjoy the benefits of integrated and financially-healthy water, wastewater and reclaimed water providers that are committed to water conservation and the long-term sustainability of the water supply.[17]

IV. The Implications of Regional Infrastructure: Conservation, Efficiency and Carrying Costs.

Q. Please discuss the benefits of regional infrastructure.

A. Regional infrastructure allows for the realization of economies of scale. This has two very important implications. First, it reduces the operating costs of a utility substantially. Second, it allows for meaningful water conservation. In his Direct Testimony (pages 7 through 10) , Global witness Graham Symmonds explains in detail how Global's model of installing regional infrastructure results in economies of scale.

[17] Direct Testimony of Cindy Liles, Docket No. W-01445A-06-0200 et. al. page 7 line 21 through page 8 line 10.

Q. While in theory deploying infrastructure on a regional basis should allow for lower operating costs and water conservation, is there any evidence that these effects actually occur in reality?

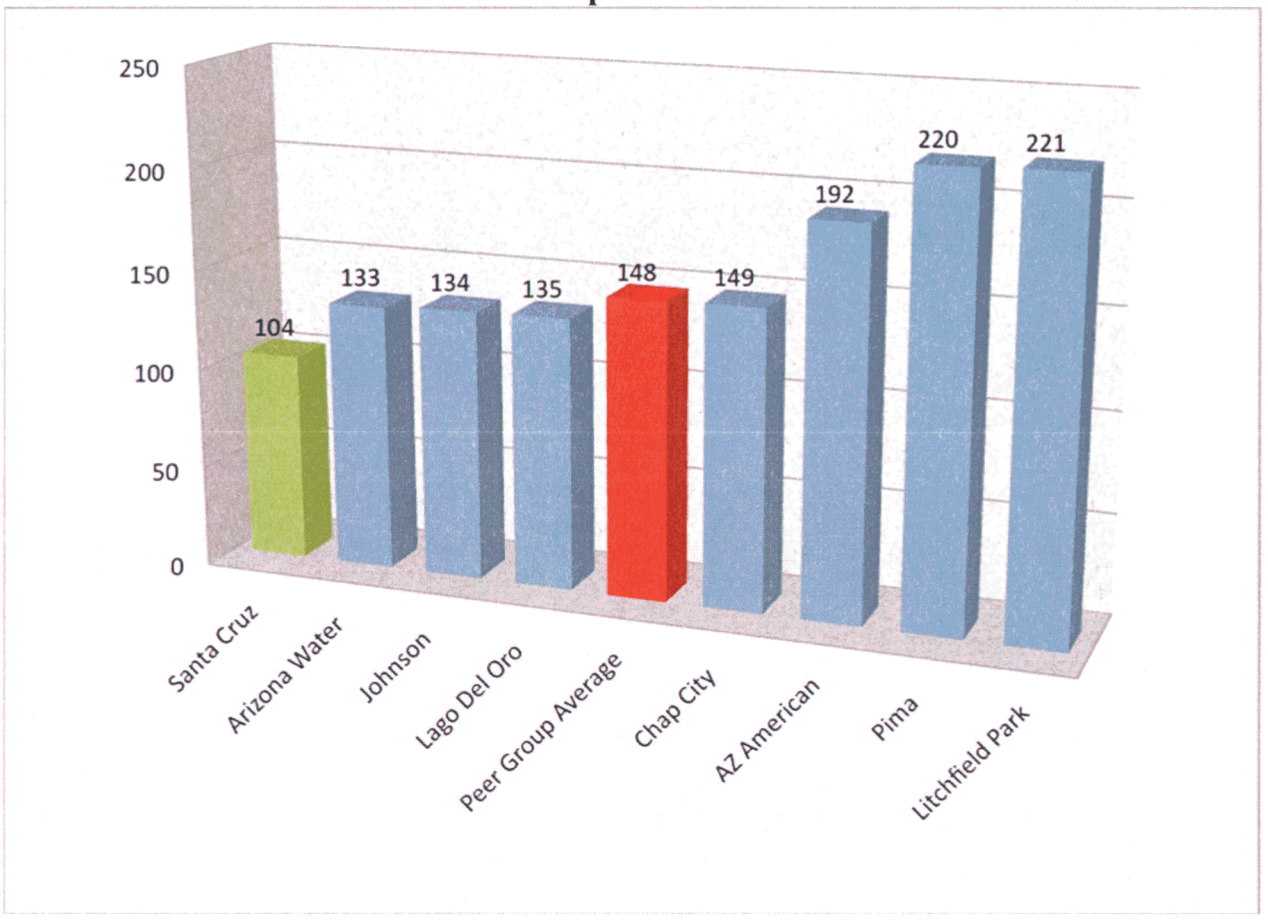
A. Yes. In his Direct Testimony, Mr. Symmonds compares the operations of Global Water-Santa Cruz Water Company to that of Valencia Water Company. The Santa Cruz system was built with Global's regional approach. Whereas Valencia's system was built using the traditional developer-directed method. Mr. Symmonds shows that Santa Cruz's customers on average use considerably less water than Valencia's. Also, power consumption per customer, consumables (chemical, supplies, treatment media) cost per customer, and labor costs per customer are all substantially less for Santa Cruz than for Valencia.[18] This is clear evidence that the benefits of regional infrastructure are real and are not just theoretical.

Q. Besides Mr. Symmonds' comparison of Santa Cruz with Valencia, is there further evidence that Global's regional infrastructure approach results in lower operating costs and water consumption?

A. Yes. Using information available in the 2008 annual reports, I compared Santa Cruz's water consumption per customer with that of a sample of other large Arizona water companies. Additionally, I compared the operating costs of both Santa Cruz and Palo Verde with those of a sample of other large Arizona water and wastewater companies. These comparisons show that Santa Cruz's water consumption per customer and Santa Cruz's and Palo Verde's operating costs are extremely low compared to their peers. Chart 2 below shows Santa Cruz's 2008 water customer per customer compared to a sample of Santa Cruz's peers.

[18] Direct Testimony of Graham Symmonds pages 11 through 15.

Chart 2: 2008 Annual Water Consumption Per Customer in 1000s.



Santa Cruz's per customer water consumption is only 70% of the peer group average. This means that relative to the average consumption Santa Cruz saves 722 million gallons a year (44,000 gallons X 16,370 customers.)

Chart 3 below shows the total operating costs per customer of Santa Cruz and a sample of Santa Cruz's peers.

Chart 3: Operating Costs Per Customer (2008 Annual Reports)

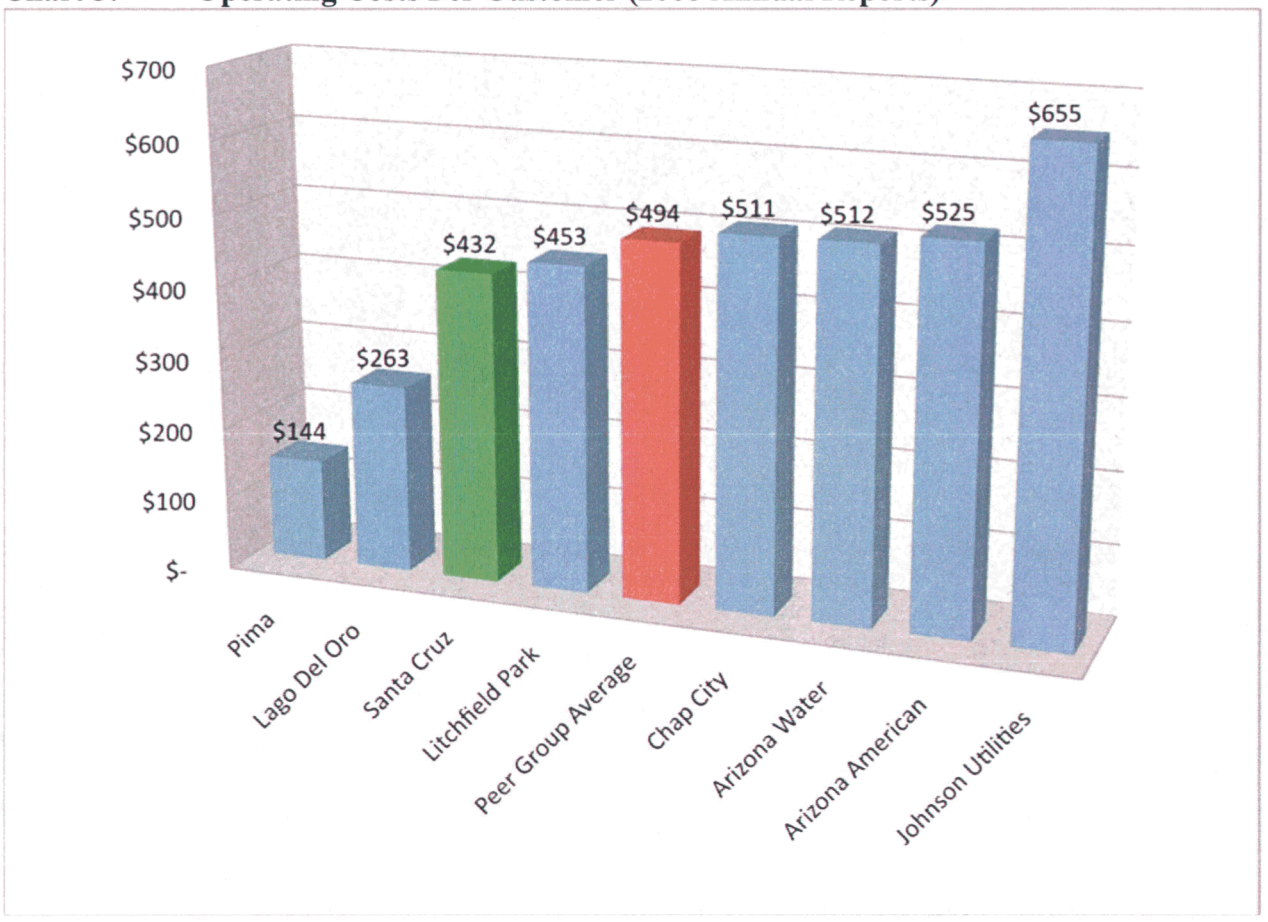


Chart 3 clearly shows that Santa Cruz's operating costs per customer are well below most of its peers. Santa Cruz's operating costs per customer are $62 less than the average of the peer group. Since operating costs are passed on dollar for dollar to the customers this represents a significant saving for Santa Cruz's customers.

Chart 4 below focuses on the labor costs of Santa Cruz and the peer group.

Chart 4: Labor Costs Per Customer (2008 Annual Report)[19]

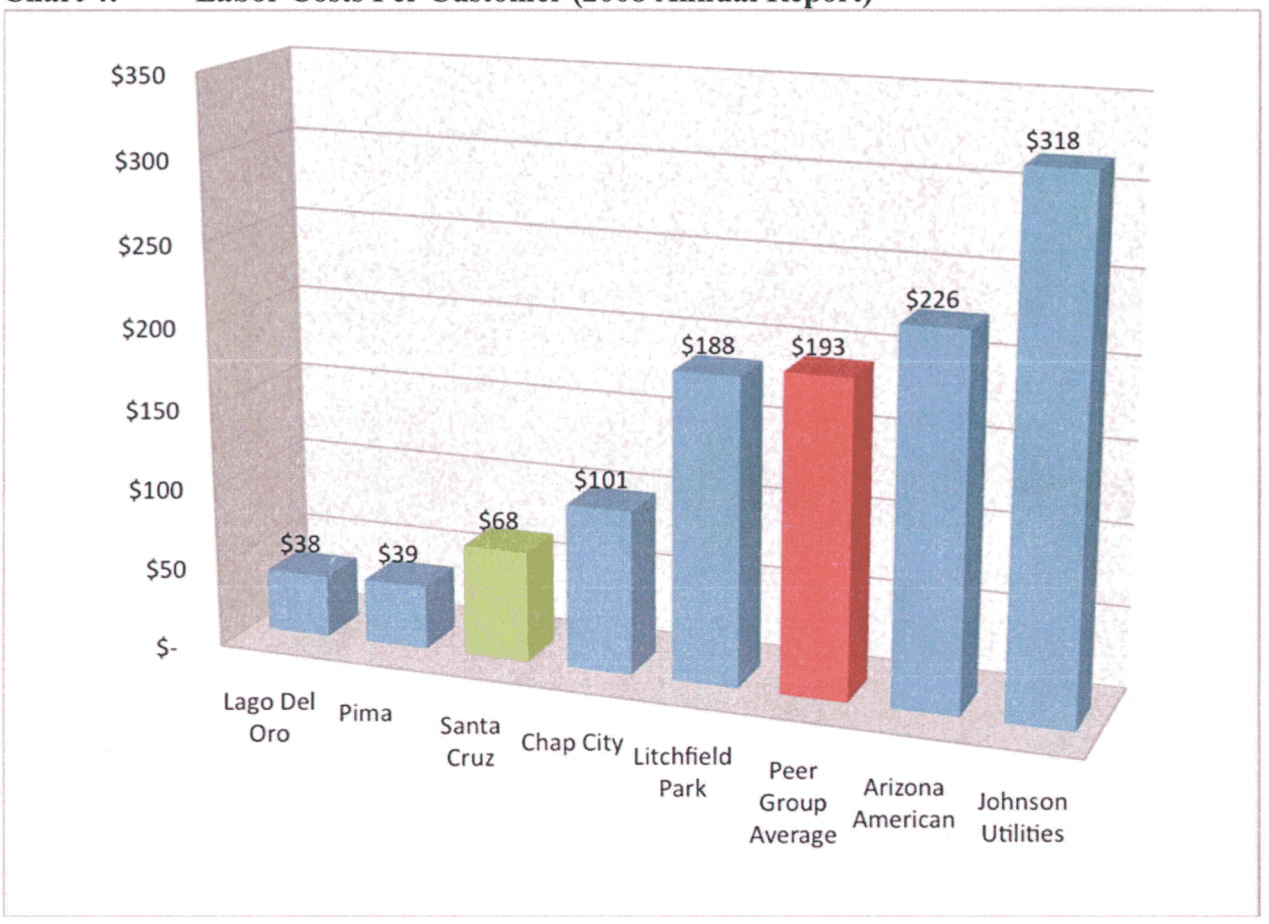


Chart 4 clearly shows that Santa Cruz's labor costs are significantly below most of its peers.

[19] Labor Costs are defined as the sum of operating expense accounts 601 Salaries and Wages, 604 Employee Pension and benefits, 630/634 Outside Services/Contract Services, 636 Contractual Services Other, and 659 Insurance Health/Life. Arizona Water was excluded from Charts 4 and 5 because the layout of its annual report makes extracting the relevant information difficult.

Chart 5 below shows the Repair and Maintenance expenses of Santa Cruz and the Peer Group.

Chart 5: Repairs and Maintenance Expense Per Customer (2008 Annual Report)

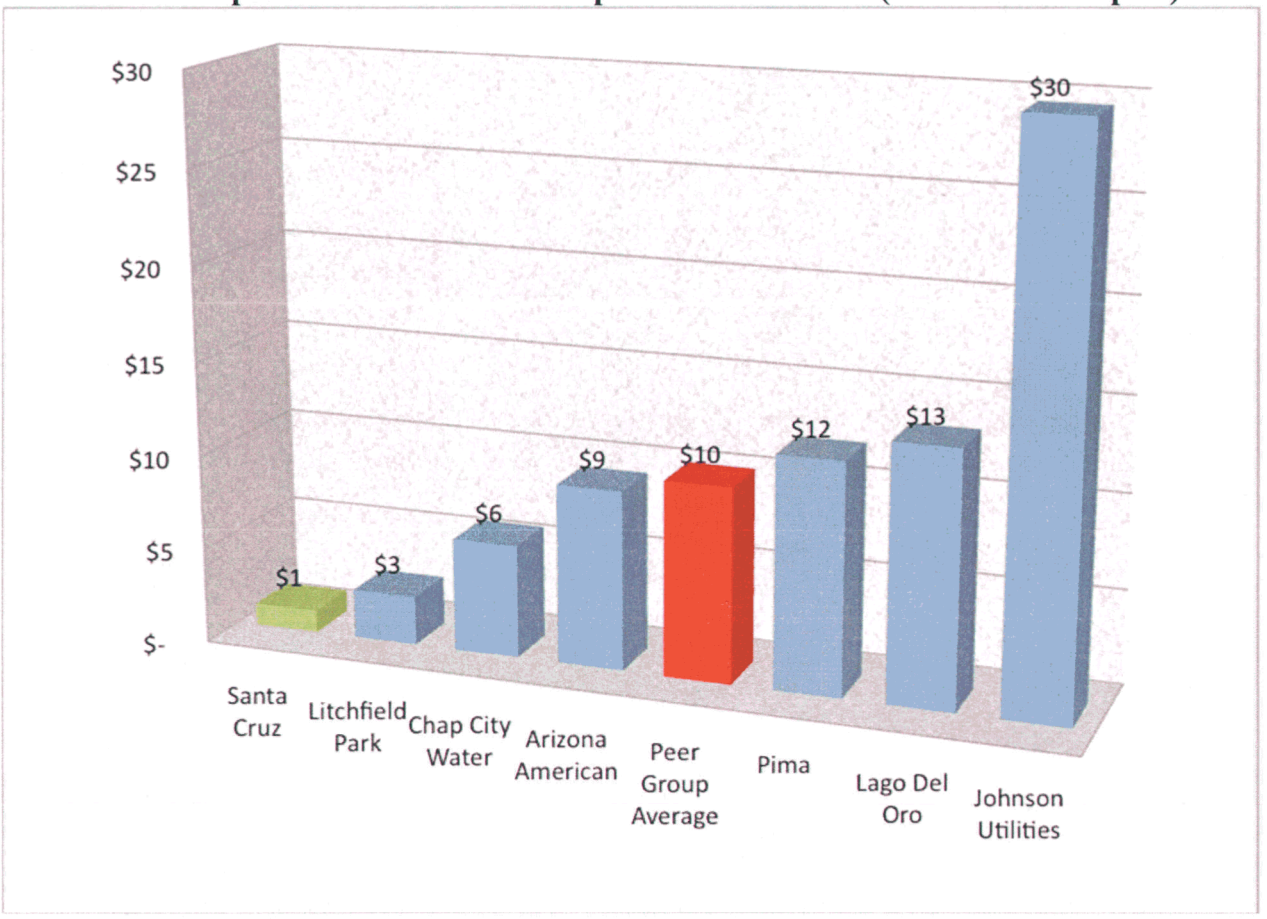
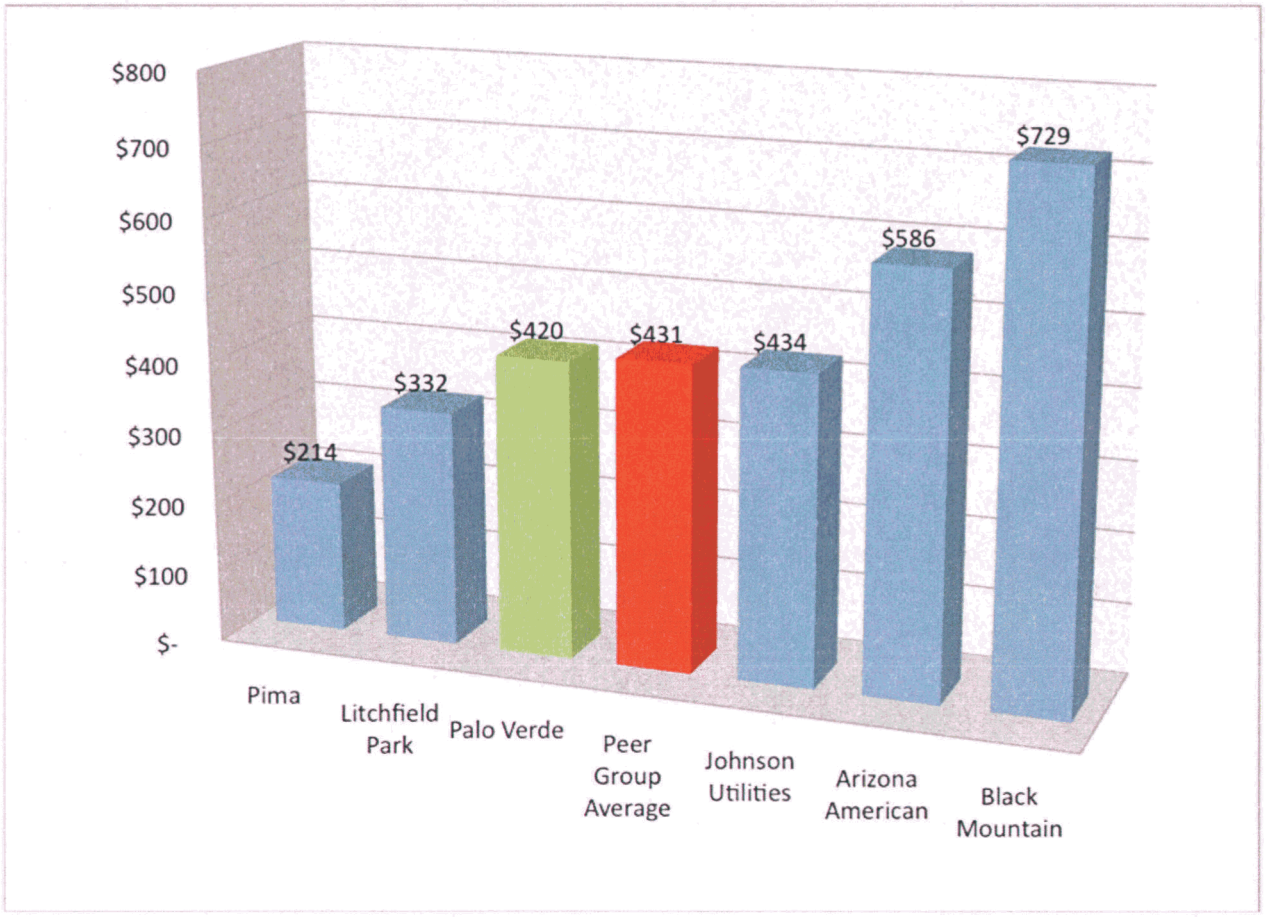


Chart 5 clearly shows that Santa Cruz's maintenance expenses are dramatically lower than its peers. While it is true that this may partially be attributable to Santa Cruz's relative youth, it is still quite impressive.

Turning to the wastewater industry Chart 6 below shows Palo Verde's total operating costs relative to a peer group of other large wastewater operations.

Chart 6 Wastewater Operating Costs Per Customer (2008)



While not as dramatic as on the water side, Palo Verde's operating costs are below the average of the peer group. These results are all the more impressive when we consider that Palo Verde provides reclaimed water on a *distributed* basis. This is in contrast to the other wastewater companies that produce reclaimed water but do not distribute it to any significant degree, except perhaps to a few select customers. So Palo Verde is able to keep its operating expenses low relative to the peer group even though it provides this significant additional service.

Chart 7 below focuses on labor costs of Palo Verde and its peers and thus is instructive regarding their relative efficiency.

Chart 7: Wastewater Labor Costs Per Customer (2008 Annual Reports)[20]

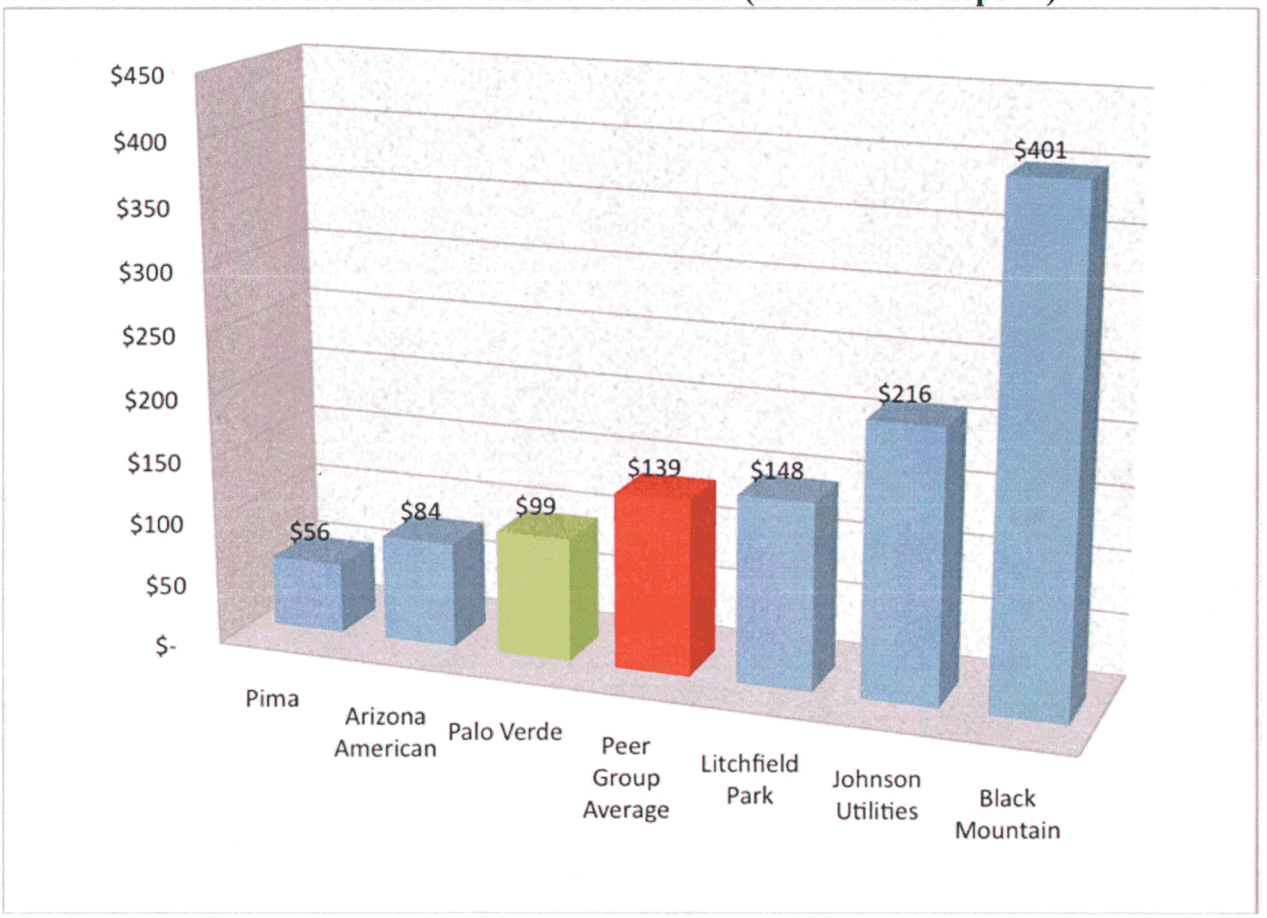


Chart 7 demonstrates that Palo Verde's labor costs per customer are low relative to its peers which indicates that its operations are relatively efficient.

Q. What do you conclude based on the analysis presented above in Charts 2 through 7?

A. The above analysis demonstrates that Global's contention – that installing regionally scaled infrastructure has inherent efficiency and conservation benefits – isn't just a theoretical argument. Global's contention is supported by the facts.

[20] Labor Costs are defined as the sum of operating expense accounts 701 Salaries and Wages, 704 Employee Pension and benefits, 731/734/735/736 Contractual Services

Q. The above discussion highlights the positive implications of regionally-scaled infrastructure. But doesn't regionally-scaled infrastructure also have relatively high capital costs?

A. Global's position all along has been that the above demonstrated conservation and efficiency benefits require relatively large plant investments. In some cases those plant investments must occur in advance of developments building out. In almost all cases these significant plant investments will be excluded from rate base for a number of years (unless the Company comes in for rate cases more or less constantly *and* the Commission allows un-utilized or under-utilized plant in rate base.) Thus, a company pursuing a strategy of installing regionally scaled infrastructure is faced with the prospect of making major investments for which it will not receive any return for a substantial period of time. These unrecoverable costs are what is known as carrying costs.

Q. What is the amount of the carrying costs incurred by Global as a result of their strategy of emplacing regionally based infrastructure?

A. The carrying costs incurred by Global (net of Global Parents net income) come to $14,946,406.

Q. You stated above that the Staff did not address the carrying cost issue at all in their Direct Testimony. Did Staff address the conservation and efficiency issues you discussed above?

A. No. Staff's direct testimony contains no discussion of the conservation and efficiency benefits associated with the deployment of regionally-scaled infrastructure.

V. The Implications of Staff's Recommendation to Treat 100% of the ICFA Fees Collected as Contributions.

Q. Please discuss why Staff's recommendation to treat 100% of the ICFA fees collected as contributions is problematic.

A. Staff's recommendation is problematic for at least three reasons. First, as I discussed above, Staff acknowledges that the ICFA fees could have been used for several purposes (such as to purchase utilities) but their recommendation focuses exclusively on one potential use. Second, Staff's recommendation will leave the Water Utility of Greater Tonopah ("WUGT") with a negative rate base. Third, Staff's recommendation ignores the tax effects of the ICFA fees.

A. Acquisition Premiums.

Q. Please describe the acquisitions Global has made since it started utilizing ICFA agreements.

A. Global has spent $43,871,802 to acquire the following utilities: West Maricopa Combine, Sonoran (387 districts), Francisco Grande, CP Water Company, and Balterra Sewer Company.[21] The rate base of each of these utilities was negligible, and in some cases it was negative, at the time that they were purchased. Thus, the $43,871,802 also approximates the acquisition premium incurred by Global. Because many of the acquired utilities had negative rate bases the actual acquisition premium is more than the $43,871,802 cost of the acquisitions. For instance, the acquisition premium associated with just the Western Maricopa Combine utilities totaled $44,374,498.

[21] Global also purchased Palo Verde and Santa Cruz but that was prior to its use of ICFAs. The West Maricopa Combine Consists of Valencia Town Division, Valencia Greater Buckeye Division, WUGT and Willow Valley Water Company.

Q. What is an acquisition premium?

A. An acquisition premium is the difference between the rate base of a utility and the price paid to purchase that utility. For instance, if a utility has a rate base of $100,000 and it is purchased for $150,000 the acquisition premium is $50,000.

Q. Can the acquiring utility earn a return on the acquisition premium?

A. Typically no. Acquisition premiums are generally not included in rate base during the rate making process. This means that in the above example the acquiring utility would *never* earn a return on the $50,000.

Q. Is Global seeking to include the acquisition premiums it paid in the rate base of the Global Utilities?

A. No. Global is not seeking any adjustment to its utilities' rate bases to account for the acquisition premiums. This means that Global will *never* earn a return on the $43,871,802.

Q. Why did Global pay such a high acquisition premium for the acquired utilities?

A. Developers in that area approached Global Water because they were growing concerned with the dramatic increase in development activity, the proliferation of analyses of assured water supplies, and the continued drought. Many of the developers were concerned that the West Maricopa Combine (which was the parent for the utilities) was not structured to confront those challenges from a financial or a utility-based approach. West Maricopa Combine had little financial strength, and no wastewater utilities from which they could generate recycled water. Global Water negotiated for several months with the then-owners of West Maricopa Combine. The acquired utilities had little and in some cases negative rate bases, and their previous owners were not in a position to make the investments in them necessary to serve future demand. The previous owners were aware that

development was coming to their service areas and that made their CC&Ns valuable. They were able to leverage their possession of the CC&Ns into a higher price for their utilities.

Q. If an acquiring utility were to use "cost-free capital" to offset an acquisition adjustment would rate payers be harmed?

A. No. Consider the simple example above where a utility with $100,000 in rate base is purchased for $150,000 so that the acquisition premium is $50,000. Suppose that the acquiring utility used $50,000 in cost-free capital (i.e., a contribution from a developer) to partially fund the purchase. Since the $50,000 in cost-free capital is totally offset by the acquisition premium (on which no return can be earned) it is *not* the case that the acquiring utility would earn a return on cost-free capital.

Q. Does Staff cite the potential to earn a return on cost-free capital as a reason for treating ICFA fees as contributions?

A. Ms. Jaress is clear that protecting rate payers from the prospect of paying returns on cost-free capital is the primary driver behind Staff's recommendation to adjust the rate bases of the Global Utilities downward to account for the ICFA fees.[22]

Q. In formulating their recommendation did Staff account for the substantial acquisition premiums paid by Global?

A. No. Staff ignores the fact that Global will *never* earn a return on over $40 million of its investments in Arizona utilities. Thus, even if ICFA fees were considered to be cost-free sources of capital the over $40 million in acquisition premiums means that rate payers will not be paying a return on over $40 million of that cost-free capital.

[22] Linda Jaress Direct Testimony, page 13, lines 1 through 6.

B. Negative Rate Base.

Q. Does Staff's recommendation result in a negative rate base for any of the Global Utilities?

A. Yes, Staff's recommendation to strip $9 million out of WUGT's rate base will leave WUGT with a rate base of *negative* $6.4 million.

Q. How are utilities with negative rate base handled in a rate case?

A. Typically, when a utility with a negative rate base comes before the Commission for a rate case, its rate base is simply ignored and its rates are set on an operating margin basis. That is, a margin is simply added to its operating costs to obtain its revenue requirement. So for a utility with positive rate base the basic revenue requirement formula is:

Revenue requirement = (Rate Base x Rate of Return) + Operating Costs[23]

But for a utility with negative rate base the basic revenue requirement formula is:

Revenue Requirement = Operating Costs + Operating Margin

So when rate base is negative the revenue requirement is determined with no reference to the rate base or the rate of return on rate base.

Q. What is the principal problem associated with utilities that have a negative rate base?

A. *The biggest problem with a negative rate base is that it destroys the incentive to invest in utility plant. Since the negative rate base will "eat in" to any investment made in utility*

[23] Throughout this testimony "operating costs" includes depreciation, taxes and all other allowable expenses. Also, "rate base" refers to used and useful plant adjusted for depreciation.

plant, the return on that investment will be degraded or obliterated. For example, suppose there is a utility with a rate base of negative $100,000 and the utility would benefit from $50,000 worth of capital improvements. If the utility were to make that $50,000 investment it would receive no return on that investment. This is because the rate base would still be negative: ($100,000) + $50,000 = ($50,000). Thus, for rate making purpose the rate base is still irrelevant and the utility will *never* earn a return on the $50,000 investment.

Q. What does this mean for Global?

A. When Global purchased WUGT, it paid a premium of $31.7 million above WUGT's then rate base. As discussed above Global will *never* earn any return on that acquisition premium. Since then, Global made $2.6 million of investments in WUGT. Under Staff's recommendation Global will never earn a return on that $2.6 million. Additionally, since Staff's proposal leaves WUGT with a negative $6.4 million rate base Global will never be able to earn a return on the *next* $6.4 million of investments it makes in WUGT. So in total under Staff's recommendation Global will never earn a return on $40.7 million of investments it made or will make in WUGT.

Q. What is Staff's rationale for adjusting WUGT's rate base into the negative range?

A. Staff indicates that protecting ratepayers from paying a return on cost-free capital is the reason why it is adjusting the rate bases of the Global Utilities to account for the ICFA fees. Staff allocates $9 million of the ICFA fees to WUGT. WUGT's current rate base is $2.6 million. Netting out Staff's proposed $9 million adjustment and WUGT's $2.6 million rate base provides a negative rate base of $6.4 million.

Q. In the current rate case, is there any danger that WUGT might earn a return on $9 million in allegedly cost-free capital?

A. No. Since WUGT's rate base is currently $2.6 million, the most capital of any kind that WUGT can earn a return on is $2.6 million. So driving the rate base below zero is not necessary to achieve Staff's goal of preventing rate payers from paying a return on cost-free capital. To achieve Staff's goal it would only be necessary to drive WUGT's rate base to zero. In spite of this, Staff recommends saddling WUGT with a $6.4 million negative rate base even though it is completely unnecessary to achieve Staff's stated goal. That Staff would make such an extreme and unnecessary recommendation is disconcerting.

Q. Did Staff address the significant disincentive to invest created by negative rate base in their direct testimony?

A. Not really. However, in response to data requests, Ms. Jaress states that "If a utility has a negative rate base, the Commission allows a reasonable operating margin. Operating margin is profit and can be calculated as a return on plant. A return would still be earned, but calculated in a different manner."[24] While this statement is true, it misses the point. The minimal profit related to operating margin would be earned regardless of any new investment in plant. Thus, in economic terms, the return on investment is zero. In other words, an investor would not see a single extra dollar in return, even for a $ 1 million investment in WUGT. Indeed, Staff witness Crystal Brown concedes that a $1 million investment in WUGT would not generate any return: "If $1 million was the only investment in plant, then Staff would not recommend that the Company earn a rate of return until such time as the Company's investment in plant exceeded the $6,123,255 in CIAC."[25] Thus, in reality, Staff's recommendation, if adopted, would create a very strong economic disincentive towards investing in WUGT, or any other utility with a negative rate base.

[24] Staff Response to Global 2.21.b.
[25] Staff Response to Global 2.24.b.

C. Taxes.

Q. Do the ICFA fees generate tax liabilities?

A. Yes. The $60 million in ICFA fees received by Global generated $24 million in tax liabilities.

Q. Did Staff account for this tax liability when formulating their recommended rate base adjustment?

A. No. Staff's rate base adjustment is based on the pre-tax revenue generated by the ICFA fees.

Q. Does Staff offer an explanation for why they used the pre-tax revenue generated by the ICFA fees rather than netting out the taxes when formulating their adjustment?

A. No. As I stated above, Staff does not even mention the tax liability generated by the ICFA fees in their Direct Testimony.

Q. Do you believe it is appropriate to ignore the tax liability generated by the ICFA fees when formulating an adjustment based on those fees?

A. No. Staff's stated goal is to protect ratepayers from paying a return on (allegedly) cost-free capital. Achieving that goal requires *only that the actual amount* of (allegedly) cost-free capital available to Global be adjusted out of rate base. Since the tax liability associated with the ICFA fees is 40%, only 60% of those fees are actually available to Global. Thus Staff's adjustment should only have been based on at most 60% of the ICFA fees received.

Q. Could the tax liability associated with the ICFA fees been avoided?

A. For water companies, Capital raised through the traditional CIAC process is generally considered to be tax-free. So one could argue that Global could have avoided the above

discussed tax liability by using traditional CIAC instead of the ICFA process. However, this is a faulty argument for at least two reasons. First, had Global used the traditional CIAC approach it would not have been able to implement its plan of building plant on a regional scale. Relying on tax-free CIAC to build plant puts developers in control of the plant that is built. Providing for the carrying costs of regionally scaled infrastructure and the acquisition premiums associated with purchasing undercapitalized utilities would not have been possible with traditional CIAC arrangements. Had Global used the traditional tax-free CIAC model and not pursued the ICFA option, Global's utilities would have had all of the problems typically associated with developer-funded plant. Additionally, all of the demonstrated conservation and efficiency benefits associated with Global's regional approach to infrastructure deployment would have been obliterated. In short, avoiding the tax liability associated with ICFAs would also mean avoiding the benefits of regional infrastructure.

Second, counterfactual arguments (such as Global could have avoided the tax liability had they done things differently) are generally not accepted in rate making proceedings.

VI. Adjustments to Rate Base.

Q. Have you reviewed Staff's adjustments to rate base?

A. Yes. In relation to its view on GWR's ICFA's, Staff has recommended the imputation of CIAC on Santa Cruz, Palo Verde and WUGT.

Q. Do you agree with this adjustment?

A. No. The Company maintains that ICFAs are a financing arrangement at the Parent Company and should have no impact on the utilities' rate base.

The Company has not requested the inclusion of any acquisition premiums in rate base as acquisition of under-capitalized and poorly-run utilities is one of the uses of ICFAs, as discussed in Mr. Hill's direct testimony. The purchase of the West Maricopa Combine and 387 Domestic Water & Wastewater Improvement Districts was made possible due to the use of ICFAs. These systems are a perfect example of why utilities need to use regional planning as opposed to each developer building systems according to its own individual requirements. GWR could only purchase these companies due to its use of ICFAs.

Staff's imputation of CIAC effectively triple-hits the respective Company and GWR:

1. The Company has already excluded the inclusion of an acquisition premium, a burden that could not have been afforded absent ICFAs.
2. There is no recognition of the tax liability incurred in relation to the ICFA fees at GWR's level.
3. Actual Company expenditures on plant are being removed from rate base, while other actual costs related to the ICFAs are ignored

It is important to note that this "triple-hit" doesn't even take into account that the parent company is bearing the majority of the burden of executive costs, public outreach and education costs related to conservation programs, etc.

Looking at WUGT alone, Staff's imputation of CIAC to WUGT totals $9,022,750, almost twice the total amount of WUGT plant, which is $4,764,593. Due to the illogical difference in these balances, this seemingly indicates that Staff is essentially ignoring all of the factors in their entirety in regards to ICFAs in a predetermined effort to impute CIAC. This imputation also has a significant impact on the factors regarding the consolidation of West Valley rates, as noted in the extreme disparity in revenue requirement calculation between the Company and Staff.

VII. Alternatives to Staff's ICFA Recommendation.

Q. Has Global's position on the regulatory treatment of the ICFA fees changed since you filed your direct testimony?

A. No. Global continues to believe that the proper regulatory treatment of the ICFA fees is to leave them out of the rate making process. However, in light of Staff's recommendation and acknowledging Staff's concern regarding the ICFA fees, we believe that it would be helpful to provide the Commission with alternative recommendations to consider.

A. RUCO's Position on ICFAs.

Q. What is RUCO's recommendation regarding the ICFAs?

A. RUCO witness William A. Rigsby indicates that "ICFA funds that are intended to provide utility plant that is used to serve new development should be treated as CIAC." Mr. Rigsby goes on to recommend that the CIAC treatment of ICFA funds should only be implemented on a going-forward basis because the Commission has made no determination regarding ICFA fees to date. Thus, RUCO does not recommend any rate base adjustment based on ICFA fees in this rate case.

Q. Please comment on RUCO's recommendation regarding the ICFA fees.

A. While I disagree with RUCO's conclusion that the ICFA fees can be tied to plant additions, RUCO's position is reasonable, relative to the Staff's position, for two reasons.

First, RUCO acknowledges, at least implicitly, that directly funding plant is not the only use of the ICFA funds. Mr. Rigsby is clear that only the funds directly intended to build plant should be treated as CIAC. Additionally, in response to Global data request 2.2, RUCO indicated that using ICFA fees to offset acquisition premiums may be appropriate

and should be evaluated on a case- by-case basis. This is inherently more reasonable than Staff's recommendation to treat all of the ICFA funds as CIAC regardless of how they were used.

Second, RUCO acknowledges that the Commission has made no determination regarding ICFA fees and thus their recommendation should be implemented on a going-forward basis only. The ICFA model was adopted as an innovative approach to emplacing regionally-scaled infrastructure while avoiding the pitfalls of developer-funded infrastructure. Imposing Staff's recommendation to deduct 100% of the ICFA fees from rate base in this rate case would punish Global for being innovative and send the signal to the industry that innovation has inherent regulatory risks. RUCO's more reasonable approach of only implementing rate base disallowances on a going-forward basis avoids these pitfalls.

B. Potential Modifications to Staff's Recommendation.

Q. Why are you offering potential modifications to the Staff's recommendations?

A. While on the whole Staff's recommendation is rather unreasonable, we acknowledge that the Commission may be inclined to agree with some aspects of Staff's analysis. Given that, it is appropriate to explore potential modifications to Staff's recommendation that would lead to a more reasonable result. Given that Staff's principal concern is that the ratepayers not pay a return on (allegedly) cost-free capital we propose potential modifications to Staff's recommendation that would limit it to specifically addressing that concern:

- **Netting out the acquisition premiums:** Since Global will never earn a return on any of the acquisition premiums it has paid, netting the amount of those premiums (or some portion of those premiums) out of any rate base adjustment would not affect Staff's

stated goal of preventing rate payers from paying a return on allegedly cost-free capital. This could be done in two ways. First, it could be done on a system-wide basis whereby the total amount of Global's acquisition premiums are netted against the post-tax ICFA funds before any rate base adjustment is calculated. Alternatively, it could be done on a system-by-system basis whereby the acquisition premiums associated with specific utilities could be netted against the post-tax ICFA funds allocated to those utilities.

- **Netting out the tax liability:** As I discussed above the ICFA fees generated a significant tax liability. Since Global is unable to use amounts paid in taxes for any purpose, any adjustment to rate base resulting from the ICFA fees must start from the post-tax amount of the ICFA fees.

- **Netting out GWR level expenses:** Staff acknowledges that the ICFA revenues are offset by GWR's expenses. Thus, any adjustment to rate base based on the ICFA fees should be offset by the GWR expenses (or at least some portion of those expenses) that were not allocated to the utilities.

The following table shows the total amount of ICFA fees collected, the tax liability generated by those ICFA fees, the total of the acquisition premiums paid by Global and the amount of GWR expenses that were not allocated to the utilities.

Total ICFA Fees Received	$60,084,123
Tax Liability Generated by the ICFA fees	$24,057,683
Total Acquisition Premiums Paid	$43,871,802
Global Parent annual expenses not allocated to utilities	$3,930,676

Q. Do you have any further comments on Staff's recommendation?

A. In allocating the ICFA revenues to the Global utilities in order to determine its recommended adjustment, Staff excluded the ICFAs related to HUC because that utility is not involved in this rate case. However, the ICFAs related to Francisco Grande and C.P. Water which are also not included in this rate case were not excluded from Staff's adjustment. Since neither Francisco Grande or C.P. Water are participating in this rate case ICFA fees related to them should be excluded in any adjustment made based on Staff's recommendation.

VIII. Cost of Capital.

A. Cost of Equity.

Q. Have the Global Utilities' position on the cost of equity changed since you filed your Direct Testimony?

A. No. We continue to maintain that there is no need to conduct a full and detailed cost of equity analysis for this case. As I stated in my Direct Testimony:

Developing an independent cost of equity recommendation is a time consuming and expensive task. Arguments regarding return on equity can also take up a considerable amount of time at a hearing. Such lengthy arguments are costly both in terms of dollars for the Global Utilities and in terms of time for Global Water personnel attending the hearing. The Commission, Staff, the Hearing Division, and interveners also bear a burden in terms of time and dollars from lengthy arguments in a hearing and in developing pre-filed testimony. Usually, the utility's costs of that analysis and debate are returned to the utility as 'rate case expense' – borne by customers.

Thus, the Global Utilities decision to not provide a full cost of capital analysis is based on a desire to simplify the case and reduce the time and expense for all parties.[26]

We continue to believe that our recommended 10% cost of equity is appropriate for this case.

Recent Staff recommendations on coat of equity for wastewater companies are in line with our recommendation. For example, on September 21, 2009 Staff issued testimony in the Black Mountain rate case (Docket No. SW-02361A-08-0609) that is consistent with our requested 10% cost of equity. Additionally, Staff is recommending a 10% cost of equity in the ongoing Arizona Water Company rate case (Docket No. W-01445A-08-0440.) Also, on October 21, 2009 the Commission issued Decision No. 71308 in the Chaparral City Water Company rate case which adopted a 9.9% cost of equity.

Given that recent Staff recommendations and Commission Decisions are in line with our original recommendation, there is no reason for the Global Utilities to change their position on the cost of equity at this time.

Q. Please discuss Staff's position on the cost of equity laid out in the Direct Testimony of Ms. Jaress.

A. Ms. Jaress has taken a reasonable position on the cost of equity. Staff recognizes that typically arguments surrounding the cost of equity generate significant expenses and take up a considerable amount of time during the hearing process. Ms. Jaress also points out that recent Commission Decisions and Staff recommendations are in line with the Global Utilities' recommended cost of equity. Staff acknowledges that the fundamental analysis used to determine the cost of equity is the same regardless of which utility that analysis is

[26] Rowell Direct pages 27 and 28.

applied to. Therefore, conducting that analysis for Global will yield little if any new insight into the Global Utilities' cost of equity.

Q. Please discuss RUCO's position on the Cost of Equity as laid out in the testimony of Mr. Rigsby.

A. Mr. Rigsby has conducted a traditional cost of equity analysis whereby he applies the Discounted Cash Flow ("DCF") and the Capital Asset Pricing Model ("CAPM") to a sample of utilities. The results of these models are averaged to come to RUCOs's recommended cost of equity of 8.01%.

Q. Will the Global Utilities counter RUCO's analysis by developing its own cost of equity analysis?

A. As discussed above, the Global Utilities initially elected not to perform a full cost of equity analysis in order to save itself, the Staff, the Commission and RUCO the expense of contesting the cost of equity issue. Given that recent Staff recommendations and Commission decisions are consistent with Global's initial cost of equity recommendation, and in light of the Staff's recommendation in this case, we do not believe it is necessary to deviate from our original strategy. Therefore, we will not be countering Mr. Rigsby's analysis with a full blown cost of equity analysis of our own.

Q. Do you have any comments of Mr. Rigsby's testimony?

A. I have reviewed Mr. Rigsby's testimony and find it consistent with previous RUCO testimony. Given the above discussion I do not believe that a point-by-point rebuttal of Mr. Rigsby's testimony is necessary or appropriate. I will only point out that RUCO's recommended cost of equity is well below that recommended by Staff in this and other recent water and wastewater rate cases. RUCO's recommended cost of equity is also less

than that approved by the Commission in Decision No. 71308 in the Chaparral City Water Company rate case issued on October 21, 2009.

B. Capital Structure and Cost of Debt.

Q. Please discuss Staff's recommendations regarding the capital structures of the Global Utilities.

A. Staff accepts the Global Utilities' recommended capital structures for Palo Verde and Santa Cruz. For Willow Valley, Valencia – Town Divisions and Valencia – Greater Buckeye Division Staff recommends hypothetical capital structures. Ironically, Staff basis their recommendation to adopt hypothetical capital structures for these companies on the acquisition premiums paid for them by Global.

Q. Why do you believe it is ironic that Staff would use the acquisition premiums paid for these companies as a basis for adopting a hypothetical capital structure?

A. As I discussed in the ICFA section of my testimony, in Staff's discussion of the ICFA issue they chose to completely ignore the significant acquisition premiums paid by Global for these utilities. Yet when discussing capital structure, Staff relies on the acquisition premiums to justify their position.

Q. Please discuss RUCO's recommended capital structures for the Global Utilities.

A. Mr. Rigsby has developed a composite capital structure based on the combined amounts of long-term debt and equity of the six utilities involved in this rate case. This provides a capital structure of 37.89% debt and 62.11% equity. RUCO also recommends a composite cost of debt of 6.44% based on the weighted average of the six utilities' costs of debt.

Q. Do you agree with Staff and RUCO's recommendation to adopt a hypothetical capital structure?

A. I could take issue with both the methodologies used and the results obtained by Staff and RUCO. However, in the spirit of compromise, the Global Utilities will accept RUCO's recommended cost of debt and capital structures for Willow Valley, Valencia – Town Division, Valencia – Greater Buckeye and WUGT.

Q. Why is Global not also accepting RUCO's recommended cost of debt and capital structure for Palo Verde and Santa Cruz?

A. We are accepting RUCO's costs of debt and capital structure as a compromise position. Adopting RUCO's cost of debt and capital structure along with Global's recommended cost of equity would result in an increase in the overall cost of capital for those utilities relative to our original request. Thus, including those utilities would not be a compromise and would rightly be considered to be self-serving. Therefore, for Palo Verde and Santa Cruz we continue to recommend the adoption of the capital structure, cost of debt and cost of equity as laid out in my Direct Testimony.

Q. What is the effect of adopting RUCO's cost of debt and capital structure on the relevant utilities?

A. The compromise we are presenting here results in reductions to the utilities' overall costs of capital is shown below:

Company	Cost of Capital Global Direct	Cost of Capital Global Rebuttal	Difference
Valencia – TD	9.24%	8.65%	0.59%
Valencia – GBD	9.72%	8.65%	1.07%
WUGT	9.94%	8.65%	1.29%
Willow Valley	9.24%	8.65%	0.59%

Symmonds Rebuttal Testimony

DOCKET NOs. SW-02445A-09-0077 *et al.*

Rebuttal Testimony
of
Graham S. Symmonds

November 20, 2009

TABLE OF CONTENTS

I. Introduction.

Q. Can you provide a basic outline of your rebuttal testimony?

A. In this rebuttal testimony, I discuss our efforts to date to inform our customers of the rate applications. In addition, I discuss the current drought status in Arizona, and reiterate how strong water resources management tools can combat water scarcity. I also address Staff's proposed accounting treatment of recharge credits, and I discuss the current status of vacant homes and delinquent payments. I also propose two new programs to assist our rate payers: a Low Income Relief Tariff, and a Demand-Side Management program. Finally, I update my direct testimony regarding Willow Valley.

II. Update On Public Outreach.

Q. Can you detail your efforts to date with respect to public outreach?

A. Yes. Since we made application for rate increases, we have been providing information to our customers through both formal and informal means. Obviously the formal notifications required by the case's procedural orders were made to each customer. We have also provided access to all documents (filings, testimony of all witnesses etc) through our website (http://www.gwresources.com/rate-case.php) as well as providing a detailed calendar of where and when updates, new testimony, public meetings etc will be held.

We also instituted an e-mail address (ratecase@gwresources.com) and a dedicated phone line to allow our customers to seek information or clarifications on the filings. Finally, we have conducted many public outreach meetings with our consumers.

As of 10 November 2009, we had conducted the following:

Maricopa-Casa Grande Region:

- one televised interview with the Mayor of the City of Maricopa (Mayor Smith)
- six formal meetings with residents of Homeowners' Associations (142 attendees)
- two Global water open houses (23 attendees)
- one HOA manager's meeting
- one HOA president's board meeting

West Valley Region:

- Four Global Water hosted meetings (53 attendees)
- One HOA managers meeting
- One formal meeting with residents of HOA (10 attendees)
- One meeting with multi-family complex managers

III. Water Scarcity.

Q. Can you update the State's drought situation?

A. Water availability remains a critical element in securing the state's future. We are in the 14th year of a multi-year drought. While the severity ebbs and flows, the reality is that we must recognize the potential impact on long-term water resources. This year's monsoon season was the 10th driest on record, with the Phoenix area receiving only 0.87 inches of precipitation out of an average of 2.77 inches.[1] The current drought conditions remain severe in Arizona:[2]

[1] Southwest Hydrology, November/December 2009, Page 37.
[2] http://drought.unl.edu/dm/pdfs/west_dm.pdf

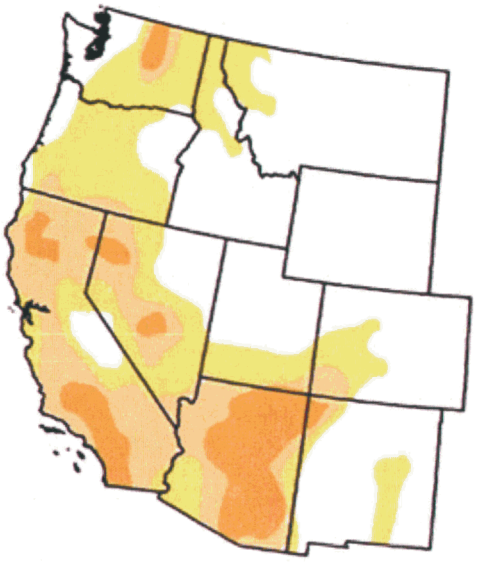
U.S. Drought Monitor

November 3, 2009
Valid 7 a.m. EST

West

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	52.4	47.6	25.4	8.9	0.0	0.0
Last Week (10/27/2009 map)	51.0	49.0	22.9	8.9	0.0	0.0
3 Months Ago (08/11/2009 map)	53.6	46.4	16.8	7.1	0.0	0.0
Start of Calendar Year (01/06/2009 map)	37.4	62.6	28.9	8.8	0.4	0.0
Start of Water Year (10/06/2009 map)	42.1	57.9	25.4	8.5	0.0	0.0
One Year Ago (11/04/2008 map)	39.9	60.1	29.6	8.5	0.0	0.0



Intensity:

- D0 Abnormally Dry
- D1 Drought - Moderate
- D2 Drought - Severe
- D3 Drought - Extreme
- D4 Drought - Exceptional

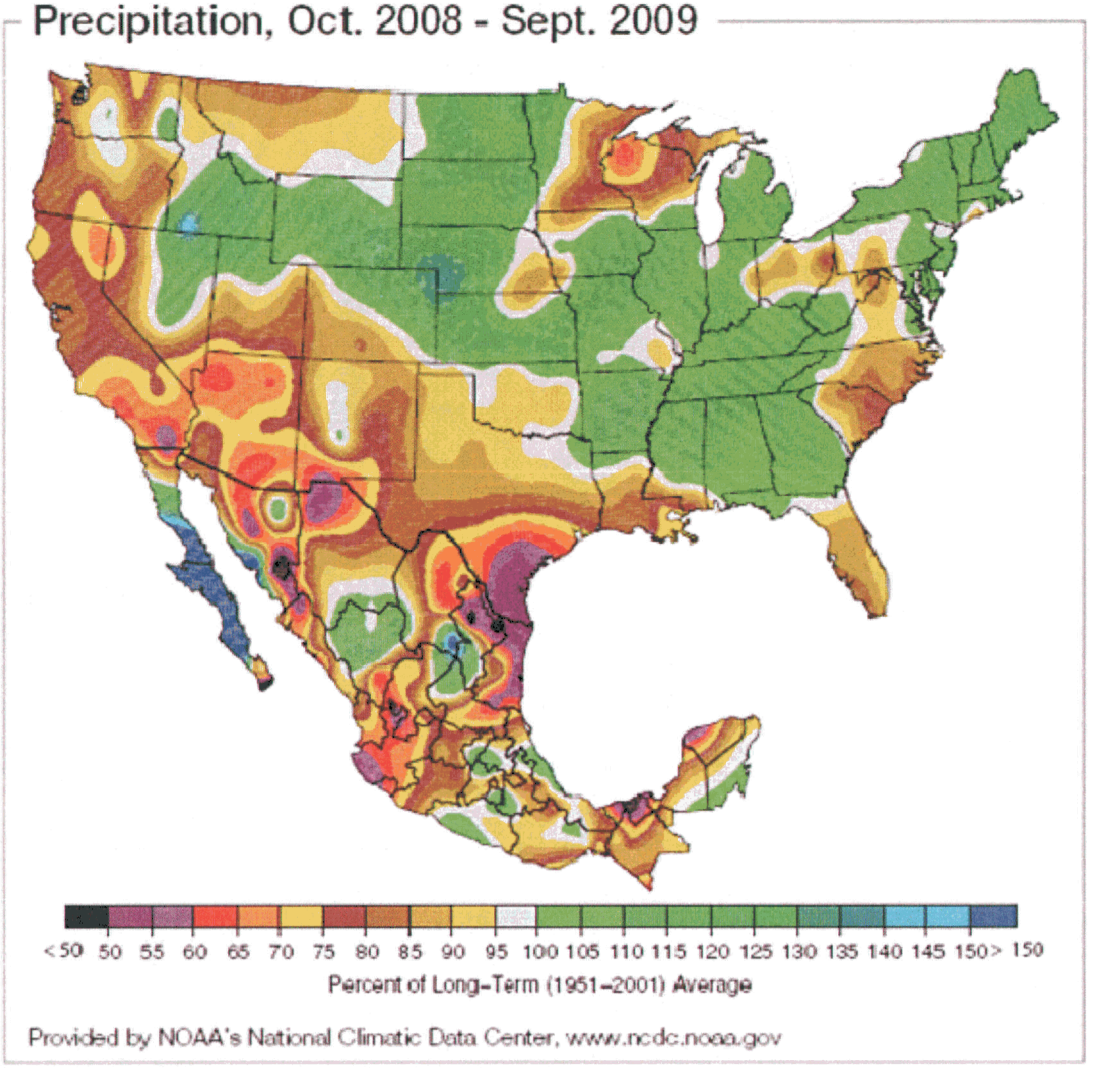
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

http://drought.unl.edu/dm

Released Thursday, November 5, 2009
Author: Brian Fuchs, National Drought Mitigation Center

As a result it is imperative that we undertake the necessary planning and infrastructure improvements to contain the effects of drought. What is more telling is the impact of climate change as demonstrated by the following map. This map shows the precipitation received in October 2008 to September 2009 against the long-term average 1951 to 2001.[3] Clearly we are suffering some long-term impacts of changes to the earth's Holocene[4] climate patterns:

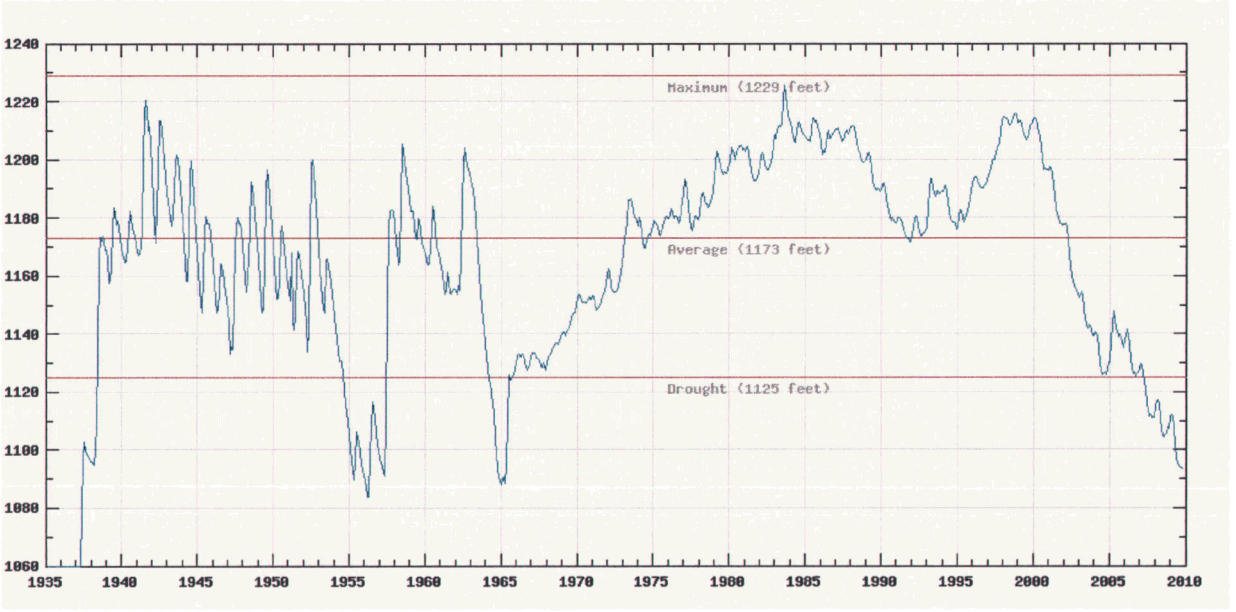
[3] http://www.swhydro.arizona.edu/archive/V8_N6/dept-thewaterpage.pdf
[4] The present epoch of geologic time, which began approximately 10,000 years ago. Characterized by relative climate and geologic stability.



As shown, the "sun-corridor" in Arizona (extending diagonally across the state from the northwest corner to the southeast corner) received less than 75% of the average precipitation between 2008 and 2009. The result is that our available water continues to decline.

The effects are dramatic. Lake Mead is at its lowest level in 40 years[5]:

[5] Graph from http://www.arachnoid.com/NaturalResources. Data from: http://www.usbr.gov/lc/region/g4000/hourly/mead-elv.html



So again, it is important that we make the correct infrastructure decisions today to ensure sustainable water resources in the future. One of those infrastructure decisions is to choose to use the right water for the right use. This means using recycled water for uses – such as irrigation – that do not require expensive and scarce potable water. Dual water mains, distributed recycled water systems, and regional treatment facilities are all infrastructure solutions to the sustainability problem.

IV. Water Resources Management.

Q. What are some of the ways that we can protect ourselves against water scarcity?

A. There are a number of elements of water resources management that can help us achieve sustainability. They include: infrastructure, innovation, and information. We know that we must install infrastructure at the beginning of the development cycle in order to offer maximum flexibility in the future. ICFAs enable the Global Utilities to install infrastructure for sustainable water use and reuse by ensuring all the infrastructure decisions are placed in the hands of the water provider – rather than developers.

In addition, however, we must develop solutions that maximize the flexibility of our water supply systems through methods such as employing Designations of Assured Water Supply (DAWS) as opposed to relying on developer-centric Certificates of Assured Water Supply (CAWS).

Finally, we must enable our consumers to conserve by providing them as much feedback as possible on their consumption patterns, and allowing them to participate financially in the rewards of conservation.

Q. Staff indicates, with respect to ICFAs, that customers should only pay for the infrastructure to serve their own needs and no more (Jaress Direct, Pg 13, Line 2). Do you agree?

A. No. Regional planning demands otherwise. The "cost of service" consists of infrastructure financing, operations, maintenance, administration, etc. We have the opportunity to lower the overall costs of service by maximizing efficiency. This includes optimizing plant infrastructure to minimize operations and maintenance costs. The impact of regional planning, and regional-scale infrastructure are dramatically exemplified in my direct testimony.[6]

Staff's position reflects what I feel is a fundamental problem. By looking only at initial capital costs, Staff's approach places conservation as the lowest priority, and maximizes inefficiency with the "appearance" of offering lower costs to consumers. The reality is, as is shown in the graphs in my Direct Testimony, that regional infrastructure saves money over the long-term.

[6] see Graham Symmonds Direct Testimony pages 12 through 21.

Q. Even in the context of higher investment in infrastructure?

A. Yes. Infrastructure is continually depreciating, reducing its effect on rates. Operating costs, on the other hand, at a minimum stay the same and typically increase as a function of time.

Q. Staff indicates that a Designation of Assured Water Supply "might" have regional planning benefits (Jaress Direct Testimony pg 33, Line 16). How do you see it?

A. I contend that obtaining a DAWS is a fundamental aspect of regional water management in the Active Management Areas – particularly for high growth regions:

1. A DAWS is reviewed routinely by ADWR. That means that the available water is reviewed and build-out numbers can be altered to meet the available resources. A CAWS on the other hand, is irrevocable. Once one home is sold in a CAWS-approved subdivision, the CAWS cannot be revoked even if the water resources are not available in the future.[7]
2. A DAWS allows for the water to be sourced from outside particular subdivisions (while still inside the ADWR service territory). This allows for parity between developers and ensures that homeowners in a particular area are not subject to higher built-in water acquisition fees than others in the area.
3. A DAWS puts the water provider in the management role. If we are going to be responsible for demand control (e.g. implementation of ADWR BMPs), we must also control the source.
4. A DAWS allows the water provider to build a portfolio of water to be served, including such elements as Irrigation Grandfathered Rights, surface water, groundwater and recycled water.

[7] R12-15-709. Certificate of Assured Water Supply; Revocation
A. The Director may revoke a certificate if an assured water supply does not exist.
B. The Director shall not revoke a certificate if any of the residential lots within the plat have been sold.

V. Long Term Storage Credits.

Q. What about Long Term Storage Credits?

A. Long Term Storage Credits (LTSCs) can be an important aspect of water resources management. They can be expensive to create, and the utility must own the water before it can create LTSCs. In the case of a wastewater utility, LTSCs can be generated via recharging of recycled water. A water utility, on the otherhand, must acquire water to do this.

Q. Does Global participate in the creation of LTSCs?

A. Global Parent and its unregulated subsidiary (West Maricopa Combine) own and operate a recharge facility in the west valley (the Hassayampa Recharge Facility). Its operation was described in detail to Staff in Data Request No. 7 and in a meeting with Staff.

Q. Staff indicates that utilities should be the beneficiary of sales of Long Term Storage Credits. Do you agree?

A. In some cases the answer would be yes. In order to do so, the utilities would have to acquire the water, pay to recharge that water and pay for the administration of the process.

Q. Do any Global Utilities do that?

A. No.

Q. Do any of the Global Utilities incur any costs as a result of the Long Term Storage Credits?

A. No.

Q. Staff indicates that the utilities in questions have "given away their right to withdraw water they could use when they receive membership in the CAGRD." Is that correct?

A. Absolutely not. The credits were created with "incentive recharge" water. Incentive recharge water[8] contracts with CAP are negotiated on an annual basis. There is no long-term right to withdraw anything. CAWCD provides access to excess water based on their assessment of the withdrawal demands withdrawal authorities. In this case, Greater Tonopah and Valencia – Greater Buckeye Division actually have subcontract rights associated with CAP water and in no case was that water used to create recharge credits.

In addition, ADWR deducts the amount of groundwater pumped from the recharged volume. This is required under ARS 45-802.01 paragraph 21(a). So in effect, the utilities receive a direct benefit for the recharge – despite not paying anything. The amount of mined groundwater is deducted from the recharged amount and so the net effect is that for ADWR purposes the aquifer is considered to have pumped none of the water actually used during the years that recharge activities were conducted by Global Parent. What that means is that Global Parent replaced all of the groundwater used by the utilities with renewable CAP water.

Q. So Global recharged all the groundwater used by the utilities?

A. Yes. In effect, we replaced every drop of water pumped by the utilities. In fact Global Parent did more, because we are also required to provide a "cut to the aquifer" of 5% of the recharged volume. This means that 1 out of every 20 gallons Global Parent paid CAP for is set aside to augment the aquifer.

[8] Incentive Recharge Water is one category of "excess water".

Q. Can you show documentation of this?

A. Yes. The Long-Term Storage Account summaries for 2007 and 2008 are provided as Exhibit Symmonds – Rebuttal -1. See columns 12 and 14.

Q. Did Global Parent charge the utilities for this water and/or these services?

A. No.

Q. Staff, in response to Global Data Request 2.9 contends the utilities suffered "lost opportunity costs" associated with the LTSC transactions conducted by Global Parent and WMC. Do you agree?

A. No. Incentive Recharge Water is available for use only as it is flowing down the CAP canal. There is no right to that water unless one has paid for it. Once past, it is gone and cannot be accessed. In order to exercise the "opportunity" as put forth by Staff, a utility would have to have the financial capacity to acquire the water at the temporal instant it is available. In the case of the Global Utilities, they do not have this capacity.

Staff's assertion that some benefit is lost by Global Parent and WMC accessing this water is akin to saying I should be able to acquire stocks at their 1970 value because if I had the money then I would have purchased some.

Q. So Staff's characterization of the sale of recharge credits is incorrect?

A. Yes. In no way were the utilities deprived of any right or benefit. In fact they received several benefits for free.

Q. Do you agree with Staff's proposed accounting treatment of the LTSC transactions?

A. No. The utilities do not own the recharge facility, and they did not pay the construction or operational costs of the recharge facility. They do not acquire the water. The utilities do

not pay to recharge the water. The utilities do not administer the recharge project. The utilities have not paid to have their groundwater pumping nullified through recharge. The utilities have not paid to augment the aquifer by 5%. In no way are the utilities financially involved in the transactions.

VI. Economic Situation.

Q. Can you update the "vacant home" statistics?

A. Yes. In Mr Hill's Direct Testimony,[9] we referred to the following statistics (at 31 January 2009):

- Palo Verde had a vacancy rate of 11.3% (1887 vacant accounts on a base of 16,671)
- Santa Cruz had vacancy rate of 11.4% (1877 vacant accounts on a base of 16,468)
- Valencia Water Company had a vacancy rate of 9.4% (511 vacant accounts on a base of 5,439)

As of 30 September 2009, these numbers have improved slightly to:

- Palo Verde vacancy rate of 9.7% (1,622 vacant accounts on a base of 16,767
- Santa Cruz vacancy rate of 9.6% (1,625 vacant accounts on a base of 16,973)
- Valencia Water Company – Town Division vacancy rate of 9.0% (497 vacant accounts on a base of 5,550)

Q. Have all utilities improved?

A. No. WUGB decreased from 8.7% to 8.3%. However, WUGT increased from 11.5% to 15.4% and WVWC increased from 3.7% to 4.1%.

[9] Direct Testimony of Trevor Hill, page 14, footnotes 11 and 13.

Q. How about delinquent payments? Have you seen a reduction in that metric?

A. In our Direct Testimony, we noted that 2.3% of active customers were greater than 61 days past due on their accounts[10]. As of 30 September 2009, that number has increased to 3.0% across the total utility customer base.

Q. What is your interpretation of these statistics?

A. Generally, I believe that they indicate that we have not seen a significant change in the environment since we filed our rate proceedings, and that the underlying financial pressures that required the rate increases are still valid.

In addition, along with information we have received from our many public comment meetings we have had as part of this proceeding, the statistics show that there is a segment of our customer base that could materially benefit by some form of financial assistance. In response, we have developed a draft Low Income Relief Tariff, that we would like to propose to the Commission.

VII. Low Income Relief Tariff.

Q. Can you describe Global's plans for a Low Income Relief Tariff?

A. I should begin by saying that the Rebate Threshold Rate structure that we proposed allows people to directly control their costs of water service. By taking steps to conserve water, all of our customers, not just those in financial difficulty can reduce their costs. Regardless, based on the current state of the economy, and the potential for serious impacts on the general population, we believe that a form of emergency relief should be provided.

[10] Direct Testimony of Trevor Hill, page 11, footnote 9.

We have met with the Arizona Community Action Association (AzCAA) to discuss how a financial assistance program could be structured. Based on their expertise with utilities like APS and TEP, we are proposing that a similar program be established at the Global Utilities.

AzCAA is a 501(c)3 non-profit agency that, through their networks of Community Action Programs and Offices, determines eligibility, monitors compliance, makes payments to utility companies, and provides guidance with other social assistance programs.

Q. What are the basic tenets of your program?

A. We expect that the program would be available to those consumers whose household income is at or below 200% of the Federal Poverty Guidelines. Consumers who are at that level, and experience difficulty in paying their utility bill, would be eligible for emergency relief as administered by AzCAA. The eligibility criteria are shown below:

- The program is designed as a short-term relief program.
- The program provides assistance to residential customers only.
- Applicants must have no history of utility tampering (cutting locks, water theft, etc).
- Applicants must have made sincere effort to pay (payment plan in place).
- Applicants must have household income equal to or less than 200% of Federal Poverty Guidelines):

The 2009 Poverty Guidelines for the 48 Contiguous States and the District of Columbia		
Persons in family	**Poverty guideline**	**Eligibility**
1	$10,830	$21,660
2	$14,570	$29,140
3	$18,310	$36,620
4	$22,050	$44,100
5	$25,790	$51,580
6	$29,530	$59,060
7	$33,270	$66,540
8	$37,010	$74,020
For families with more than 8 persons, add $3,740 for each additional person		

Q. What limits are you proposing?

A. We are proposing that the following limits be included in the program:

- Benefit dollar amounts would be capped at $250/year per customer.
- Funds may be used for any utility fees incurred by the consumer:
  - Deposits
  - Late fees
  - Reconnect fees
  - Service Fees

Q. How would the Low Income Relief Tariff Program be funded?

A. We are recommending that a surcharge be developed to fund the program. This surcharge would be based on a weighted average of consumption data to achieve the desired funding amount. As an example, if the funding amount was $50,000 per year, that could be achieved by the following surcharges:

Utility	Valencia - TD	Greater Tonopah	Valencia - GBD	Willow Valley	Santa Cruz	Palo Verde
LIRT Surcharge ($/1000 gallons for water companies; $/connection for sewer companies)	$0.017	$0.017	$0.017	$0.017	$0.009	$0.098
Average Residential Consumption (gallons)	5817	7346	9068	5142	7827	N/A
Monthly Cost per Connection (for average consumption)	$0.101	$0.128	$0.158	$0.089	$0.068	$0.098

So the cost per month would vary from 8.9 cents per connection per month (Willow Valley) to 16.6 cents per connection per month (Santa Cruz/Palo Verde).

Q. Would Global investors contribute to the program?

A. Global would cover the administrative costs payable to AzCAA (10% of funds received). Global Parent would also consider contributing up to an amount equivalent to that contributed by rate payers.

Q. How many consumers could benefit from such a program?

A. Assuming that the rate payers funded amount was $50,000, and Global Parent provided matching funds to increase the available relief, and to cover administrative overhead costs, there would be $90,000 per year for possible allocation. At our proposed limit of$250/year, the program could assist 360 families per year, or about 1% of our connections.

Q. Would the Program have to wait to be implemented?

A. We would work with Staff and AzCAA to develop the most effective roll-out strategy. One concept is to fund the LIRT program initially from the parent and recover the costs via direct surcharge. Alternatively, the program could be funded incrementally as surcharged amounts are received. Once the program is established, it becomes self-supporting.

Q. Are you seeking approval on the program right now?

A. Yes. We would like to work with Staff after the hearing to formalize the program, such that we can move forward with a proposal to the Commissioners in time for the Open Meeting in this docket.

VIII. Demand Side Management Program.

Q. What other programs are you developing to ease the impact of the economy on rate payers?

A. In order to provide direct assistance in conservation, and to allow some of our larger users to access technologies and practices that will reduce their costs, we are proposing a Demand-Side Management program.

Q. Why are the Global Utilities proposing a Demand-Side Management (DSM) program?

A. The Global Utilities believe that a DSM program can be an important part of an overall Total Water Management approach to sustainable water resource management. In particular, DSM programs can reduce usage by assisting customers in reducing their overall usage, and changing established, ingrained usage patterns. We are convinced that the current price signals (moderate for potable water, very low for recycled water) have led to excessive consumption – far in excess of what plants require or grass requires to keep green. Our evidence suggests that customer usage is not yet influenced by changes in precipitation, humidity, temperature or even season. Clearly actual plant water requirements materially vary in the presence of these changes. Default, "business-as-usual" irrigation usage ensures that many times more water is delivered than is truly required. Today usage patterns remain largely the same year in and year out – on rainy

days, on cold days in the winter, in the summer – at noon on our hottest days. Our DSM measures will bring a scientific foundation to demand side water utilization – quite likely preserving the opportunity for appropriate green spaces while saving the customers materially on their water bill. The technology to bring this science to the consumer exists today: on-line weather stations, on-line humidity monitoring, and dew-point threshold sensors all speak to when and how much water plants need – this coupled with moisture sensors deployed through our SCADA network in the field complete the equation. Not only the right water for the right use, but exactly the right amount.

Thus, our DSM Program is designed to eliminated wasted water usage by more closely matching water consumption with the actual amount of water needed by the landscape. In addition, our service areas include extensive turf (grass) areas – not all of which is necessary or appropriate in our desert environment. So our DSM Program will assist customers in replacing some of the existing grass with xerscaping.

Q. Who will benefit from Global's proposed DSM Program?

A. All of our customers could benefit, but our DSM program is focused on two types of customers: (1) HOA customers with large usage, who can benefit from sophisticated irrigation management and appropriate turf replacement, and (2) residential customers, who can benefit from turf replacement, rainwater catchment, toilet replacement and other program elements. And in the end, of course, the environment benefits as well.

Q. Can you describe Global's Demand-Side Management Program?

A. This program is designed to augment the Rebate Threshold Rate structure, and allow for large consumers to achieve meaningful conservation with the assistance of the utility. In brief, the Global Utilities propose to employ a portion of revenues received from the sale of recycled water directly to the DSM program. Specifically, we are recommending that

15% of the revenue generated from the sale of recycled water be allocated to the Demand-Side Management Program. Under the proposed rate structure for recycled water ($2.00/1000 gallons), annual revenues are projected to be $1,131,421. Under this program, $169,713 would be dedicated to our proposed Demand-Side Management Program. Over 16,767 units, that represents a contribution by Global of $10.12 per unit per year. In areas where a Global Utility does not control recycled water, we propose that a similar per-connection revenue amount be allocated from revenues generated from the highest tier.

Q. So the Demand-Side Management Program is funded by Global Utilities?

A. Yes, we would take revenues from recycled water or the highest tier sales and set aside a percentage to fund this program. There are **NO surcharges or recoveries** from rate payers.

Q. What will this program focus on?

A. This program will be directed to deploying technologies and water resource management practices to eliminate excess demand. The following elements will be funded from this program:

- Turf replacement with xeriscaping
- Installation of weather data centers connected to the Global Water SCADA system with data presentation to consumers via web access and e-mail/text notifications
- Installation of Soil Moisture Probes, connected to irrigation controllers and to Global Water's SCADA system
- Development of irrigation control protocols, tariffs and restrictions:[11]
    - Eliminating irrigation during the day
    - Restricting outside water use for irrigation to specific days

[11] Compliance with these restrictions can be monitored through Global Water's AMR/AMI network

- Control of Irrigation Systems based on soil moisture, calculated evapotranspiration rates, humidity, temperature etc.
- Installation of Water Main Leak Detection Systems
- Development of salt management strategies
- Providing rebates for:
  - dual flush toilet systems.
  - reduction in size of meter (1" to ¾" to access lower monthly costs)
  - rainwater catchment systems
- Development of Automated Pressure regulation algorithms for off-peak periods
- Offering water-saving components such as:
  - Spring-loaded potable water check valves at residences
  - Smart irrigation controllers at residences[12]
- Development of standards for rainwater catchment systems and encouraging their use.
- Investment in the education activities of organizations such as ProjectWET.
- Development of Renewable Water Standards and a "no new water" philosophy for developments

Q. To whom do these elements apply?

A. They can apply to all groups, but notionally I see the following breakdown:

[12] Encouraging customers to participate in the SAHRA (Sustainability of semi-Arid Hydrology and Riparian Areas) RAINLOG program (www.rainlog.org) to provide a better understanding of localized rainfall and irrigation requirements.

Item	Residential	Commercial/ Industrial	HOA	Overall
Turf Replacement	X		X	
Weather Data Centers	X	X	X	
Soil Moisture Probes			X	
Irrigation Control Protocols	X	X	X	
Water Main Leak Detection Systems				X
Salt Management Strategies	X		X	
Rebates For: • Dual Flush Toilet Systems • Reduction of Meter Size • Rainwater Catchment Systems	X	X	X	
Automated Pressure Regulation				X
Water-Saving Components: • Spring-Loaded Potable Water Check Valves • Smart Irrigation Controllers	X	X	X	

Q. What about items that are not on the list?

A. The Global Utilities will add items as new technologies and practices emerge.

Q. Can you give us an example of the impact of some of these elements?

A. I can provide a hypothetical example. Let's assume that an HOA has 5 acres of turf that they wish to convert to xeriscape.

Five acres of turf would require approximately 9,775,530 gallons of water annually.[13] When converted to xeriscape, the irrigation demand would be approximately 2,463,433 gallons of water annually. If the landscape irrigation is provided by recycled water, the

[13] These water consumption estimates are based on pan evaporation rates for Phoenix (57.6 inches per year) and transpiration factors of 1.25 for turf and 0.315 for drip irrigation.

HOA would see a reduction in their water bill of $14,600 per year.[14] If the landscape irrigation is provided by potable water, the savings would be much greater.

And we would have saved 7 million gallons of water – or approximately 20 acre-feet. At average consumptions in the order of 0.24 acre-feet per dwelling unit per year, the water saved is equivalent to serving 83 homes for a year.

Q. How will you report on the effectiveness of the Demand-Side Management Program?

A. For Santa Cruz, which is in ADWR's Modified Non-Per-Capita Conservation Program, the results will be reported in our annual Conservation Efforts Report. For other water systems, we propose to document the performance annually as well. We would be willing to file copies of the relevant reports with the Commission.

Q. You mentioned the Global Utilities' AMR/AMI technologies to provide data for consumers. Can you expand on that?

A. Yes. Through the deployment of AMR (automated meter reading) and AMI (automated meter information) technologies, water consumers now have access to substantial amounts of data from which to make decisions. "How close am I to the Rebate Threshold?", "how close am I to a higher volumetric tier?", "how does my consumption compare to my neighbors, my community and my city?" These are the questions that can be answered with AMR/AMI technologies.

At present, consumers can access monthly consumption data through our eCare systems. Very shortly, they will have access to intra-day consumption data which will guide them in making water-related decisions. And this can be highly automated. Instant messaging, e-

[14] Turf cost = (9,775,530/1000) x $2.00 = $19,551.06. Xeriscape cost = (2,463,433/1000) x $2.00 = $4926.86.

mails and other forms of personal messaging can be customized so that the consumer can be alerted to things such as leak detects, consumption volumes, consumption dollars.

The customer will soon be able to access this information via a web portal such as the one shown in Exhibit Symmonds – Rebuttal 2.

IX. Engineering.

A. Sun Valley Storage Issue.

Q. Staff recommends that Sun Valley water system be augmented with an additional 150,000 gallons of storage. Would you agree?

A. No. I believe that during the on-site inspection Staff was not shown a stand-by well located a short distance away from, and connected to the existing tanks. This was an oversight by Global staff. This well, with capacity of 300 gpm is available should the primary well become unserviceable for any reason. The stand-by well was provided with an Approval of Construction on 18 August 2008. The operational protocol for the well and the AOC are attached as exhibits to this testimony as Exhibit Symmonds-Rebuttal-3. With the additional well capacity, I believe that the governing rule is AAC R18-5-503.B which allows for the reduction of storage:

> R18-5-503. Storage Requirements
>
> A. The minimum storage capacity for a CWS or a non-community water system that serves a residential population or a school shall be equal to the average daily demand during the peak month of the year. Storage capacity may be based on existing consumption and phased as the water system expands.

B. The minimum storage capacity for a multiple-well system for a CWS or a non-community water system that serves a residential population or a school may be reduced by the amount of the total daily production capacity minus the production from the largest producing well.

For Sun Valley, the average daily flow, max month is: 193,000 gallons. Without the additional well a storage capacity of 193,000 gallons would be required. With the stand-by well, the storage requirement "may be reduced by the production capacity minus the production of the largest producing well". In this case, the calculation would be:

Storage = 193,000 – (650 – 350) x 1440

= 193,000 – 432,000

= -239,000 gallons

Obviously a negative storage amount is not realistic, but it does exemplify that the system, with the stand-by well, has sufficient capacity to operate without additional storage.

B. Water Loss.

Q. Staff refers to water loss. What is your perspective?

A. I agree with Staff that we must work to reduce the amount of water loss in our older systems. We addressed this concern in specific responses to informal data requests from Mr. Liu. On acquisition of the West Maricopa Combine (WMC) utilities[15], Global's focus was on ensuring the systems were upgraded to meet compliance with the new arsenic MCL, installation of chlorination systems, and rectifying other water quality and compliance issues, the extent of which were very large.

[15] WMC consisted of Willow Valley Water Company, Valencia Water Company (now Valencia Water Company – Town Division), Water Utility of Greater Buckeye (now Valencia Water Company – Greater Buckeye Division), Water Utility of Greater Tonopah, and Water Utility of Northern Scottsdale.

As the systems have now been brought to the acceptable standard of treatment and infrastructure, we can begin to turn our attention to things such as leaks. Global began that process by the wholesale replacement of all meters in Greater Tonopah and Valencia – Greater Buckeye Division in 2008. Willow Valley was recently approved for WIFA ARRA funds to complete a meter change out (Decision 71313, 30 October 2009). Global continues to improve these systems, and replace infrastructure as resources are available. The meter replacement program has led to some reductions in unaccounted for water. For example, in Dixie (PWS 07-030), the 2008 unaccounted for water was 28.9%. To date in 2009, that has been reduced to 17.3%.

Q. Can you comment on the water loss percentages in Staff's testimony?

A. There can be no doubt that the majority of the WMC distribution systems referred to in Staff's testimony report are many years old – and therefore their leakage rates should be expected to be much higher than "as new" condition.

As with all percentage-based analyses, when the number is small, increments in that number can result in large percentage changes. For instance, a system with an unaccounted for water volume of 100,000 gallons would be showing drastically different percentages if the volume pumped was 1,000,000 gallons (10%) than it would if the pumped volume was 200,000 gallons (50%).

It is therefore important not only to maintain the perspective of the "absolute value" of the unaccounted for water (that is, the actual volume) and the scale of the distribution systems. In this testimony, I will propose more accurate and meaningful metrics for measuring water loss, based on metrics developed by the American Water Works Association

(AWWA) and the Maricopa Association of Governements (MAG). I also describe the significant efforts we are making to address water loss.

Q. Are you suggesting that the Global Utilities do not see water loss as a problem, even if it is a function of fitted infrastructure?

A. No, not at all. I am suggesting that unaccounted-for-water is a more complex issue than most people recognize. Notwithstanding, the Global Utilities are committed to conserving all water. The Global Utilities do not derive revenue from unmetered, lost water. Accordingly we are keen to reduce all unaccounted-for-water. The rates established as a result of this case can go a long way to allowing the Global Utilities to finance the reduction of this unaccounted-for-water.

Q. How would Staff's rate recommendations impact the Global Utilities' ability to reduce water loss?

A. A troubling aspect of Staff's recommendations is that they propose a negative rate base for Water Utility of Greater Tonopah (WUGT). Because WUGT is also the utility that Staff identifies as having the most significant water loss issues, I see a significant problem. Staff proposes a rate base of $(6,123,255) for WUGT. Under that recommendation, infrastructure investments to reduce water loss will likely not be feasible, because those investments would not earn any return (they would just reduce the negative rate base).

Q. What metrics to you propose to measure water loss?

A. I propose two metrics: gallons per hour per mile per inch (GPHMI) and Unavoidable Annual Real Losses (UARL).

Q. Why is a simple percentage-based metric inadequate?

A. The problems associated with using a percentage to quantify water loss have been identified by the American Water Works Association (AWWA), and are described in the textbox below:[16]

> **Problems with the performance indicator 'unaccounted-for percentage'**
>
> Some water utilities attempt to express their water loss standing by quoting their "unaccounted-for" percentage, which typically takes some form of:
>
> $$\frac{\text{(Volume of Water Supplied minus Volume of Customer Billed Water)}}{\text{(Volume of Water Supplied)}}$$
>
> Some will alternatively quote the inverse, referred to as the "metered water ratio," as
>
> $$\frac{\text{(Volume of Customer Billed Water)}}{\text{(Volume of Water Supplied)}}$$
>
> Using percentage indicators such as the above to assess water loss standing in water utilities gives misleading and unreliable measures of utility performance because:
>
> - This type of performance indicator is mathematically skewed
> - It is impossible to reliably represent multiple types of non-revenue water typically occurring in a water utility with a single simplistic percentage
> - A simple percentage reveals nothing about water volumes and costs, the two most important factors in water loss assessments of water utilities
> - The mathematical flaws of the percentage indicator stem from the fact that the percentage is unduly affected by varying levels of customer consumption.
>
> Having the use of several robust, detailed performance indicators instead of a single, simplistic indicator is a vastly superior means by which to assess water loss standing in water utilities.

Q. What are some considerations that should be made with respect to water loss?

A. Unaccounted for water rarely results in visible water at the surface (as these would be repaired immediately) and is typically low flow, continuous gasket leakage that occurs over time. As a result, typically water loss is a direct function of the number of joints

[16] http://www.awwa.org/Resources/WaterLossControl.cfm?ItemNumber=47866&navItemNumber=48159

(gaskets) in the distribution system. While many of the West Valley Region systems serve small numbers of customers, they have very lengthy distribution systems. As a result, one can expect that the water loss in these systems will be disproportionate to the volume pumped. This will skew the percentages.

It is more accurate to review water loss as a function of distribution system length and pipe diameter (larger diameter pipes have a larger gasket and would therefore be expected to produce the potential for increased leaks). In fact, this is a fundamental aspect of infrastructure acceptance.

Q. How can these factors such as distribution system length and pipe diameter be considered?

A. A good metric is gallons per hour per mile per inch (GPHMI). MAG Standard 610.15 and Appendix C of Global Water's Code of Practice GWR-CP-EX-008 Construction and Acceptance of Underground Facilities[17] indicates that leakage in **newly installed** pipe must not exceed:

$$L = \frac{ND\sqrt{P}}{4500}$$

where

L = allowable leakage in gallons per hour
N = number of joints
D = nominal diameter of pipe (inches)
P = test pressure

By assuming that the length of pipe is 1 mile (5280 feet) comprised of standard 20 foot lengths, the total number of joints (N) is 5280/20 = 264. Then dividing by the pipe diameter (D), we can convert the leakage units into gallons per hour per mile per inch (GPHMI). A newly accepted 1 mile water main, operating at a nominal pressure of 40 psi, would have an acceptable leakage rate of 0.37 GPHMI.

[17] http://www.gwresources.com/pdf/Construction_and_Acceptance_of_Underground_Utilities.pdf

Q. Are there other metrics available to measure unaccounted for water?

A. Another way to consider water loss is a method advanced by AWWA and termed the Unavoidable Annual Real Losses (UARL).[18] The UARL is defined as "a theoretical reference value representing the technical low limit of leakage that could be achieved if all of today's best technology could be successfully applied," and as such represents the **minimum value** that leak reduction activities could ever achieve for in-service water-mains.

In imperial units:

$$UARL\ (gallons/day)=(5.41L_m + 0.15N_c + 7.5L_c)\ xP$$

where:

L_m = length of mains (miles)
N_c = number of service connections
L_c = total length of customer service lines (miles)
= N_c multiplied by the average distance of customer service line, Lp (miles or km)
P = Pressure

It should be noted that the AWWA UARL parameter has not been validated for very small systems, where $(32L_m + N_c) < 3000$ (this would apply to all of the West Valley Region systems with the exception of Valencia Water Company – Town Division). However, the intent is to demonstrate that water loss must be considered as a function of distribution system length. In addition, if we consider only that portion of water loss associated with the distribution system, we can approximate the theoretical minimum loss.

[18] AWWA Water Loss Control Committee (WLCC) Free Water Audit Software v4.0, from http://www.awwa.org/Resources/WaterLossControl.cfm?ItemNumber=48511&navItemNumber=48158

Q. How does the UARL method compare to the GPHMI method?

A. Under the UARL model, a 1 mile transmission main (assuming no direct customer connections) operating at 40 psi would have an in-service leakage rate of:

$$\text{UARL} = 5.41 \times 40 = 216.4 \text{ gallons per day per mile}$$
$$= 9.0 \text{ gallons per hour per mile}$$

If we assume that the transmission main is 8" in diameter, the lowest limit a typical in-service leakage rate would be:

$$\text{UARL} = 9/8 = 1.13 \text{ GPHMI}$$

Both the new infrastructure acceptance criteria and the UARL indicate that some level of leakage is inevitable. Critically, they are both a function of distribution system length.

Q. Can you summarize the criteria?

A. From the perspective of leakage, I suggest that the minimum leakage rate achievable would be between 0.37 GPHMI and 1.13 GPHMI.

Q. How do the Global Utilities fare under the GPHMI metric?

A. Recognition that piping system leakage is a function of distribution system length and diameter is a key element of understanding the unaccounted for water percentages. The GPHMI metric for each Public Water System (PWS) is shown in Exhibit Symmonds – Rebuttal 4. This is calculated from the unaccounted for water shown in the 2008 ACC Annual Reports (adjusted for recorded flushing activities), the distribution system length (from the 2008 ACC Annual Reports) and the derived "weighted average pipe diameter", which is simply:

$$Weighted\ Average\ Pipe\ Diameter\ = \frac{\sum(l_n \cdot d_n)}{\sum l_n}$$

where

l_n = length of pipe at diameter "n"
d_n = diameter

What is interesting about the chart in the exhibit, is that it demonstrates the fact that systems with "high percentages" of unaccounted for water (e.g. WPE #1 at 31.5%) can have a low GPHMI (0.71). In cases where we know large scale flushing occurs (e.g. WVWC) or where non-surfacing leaks occur (Dixie, or Sweetwater II), the GPHMI is higher than ideal – a situation that can only be rectified with considerable investment.

It should also be recognized that not all "unaccounted for" water is attributed to leaks within the system. In some cases, theft or unauthorized use occurs in these remote systems. The Global Utilities have proposed an innovative water theft charge and security tab cutting charge to combat water theft (See Direct Testimony of Graham Symmonds, pages 57-60.)

Q. Can you describe Global's efforts to date regarding line losses?

A. Yes. Our operations staff have implemented a comprehensive evaluation program in accordance with AWWA standards.[19]. The evaluation program will identify the priority locations for improvement. At present, we are focusing our efforts based on volume of loss rather than percentages. In the west valley, we have created a Water Loss Task force lead by the Distribution Supervisor.

Q. Can you summarize?

A. Overall, the Global Utilities have an extensive program to reduce water loss. We monitor pumped versus billed on a monthly basis. We have replaced all meters in Greater Tonopah

[19] http://www.awwa.org/Resources/WaterLossControl.cfm?ItemNumber=48055&navItemNumber=48162

and Valencia – Greater Buckeye Division and have a plan in place to replace the meters in Willow Valley. In the larger utilities (Valencia – Town Division, Valencia Greater Buckeye Division and Santa Cruz[20]) the meters are outfitted with Automated Meter Reading technology. This allows usage to be read at higher frequency than that of manual reads. Integrated with this information is a "leak-detect flag" which will identify those meters whose usage did not drop to "zero" for a period of at least one hour in 24-hours. This can indicate that there may be a leak downstream of the meter and allows customer service and field service staff the opportunity to investigate before large quantities of water are lost.

XI. Willow Valley Update.

Q. In your Direct Testimony, you detailed technical improvements to the water systems in Willow Valley. Can you update the status of those systems?

A. Yes. The treatment systems have been very successful in reducing iron and manganese concentrations in the water. The result has been improved water aesthetics and fewer complaints. An ancillary benefit has been that the condition of the distribution system has been improved. The years of accretion on the distribution system piping is being removed through a combination of higher quality water and line flushing.

It may be important to recount the history:

- In 2007, we held our first public meeting. Approximately 100 customers were in attendance. Many brought containers or discolored water, filters full of black sediment, pictures of damaged property, etc. At this meeting, we conveyed our

[20] Greater Tonopah meters are fitted with an Itron MVRS system which allows for drive-by meter reading. While these do not have the ability to broadcast multiple reads per day, the replacement of the meters has increased the accuracy of our metered water deliveries.

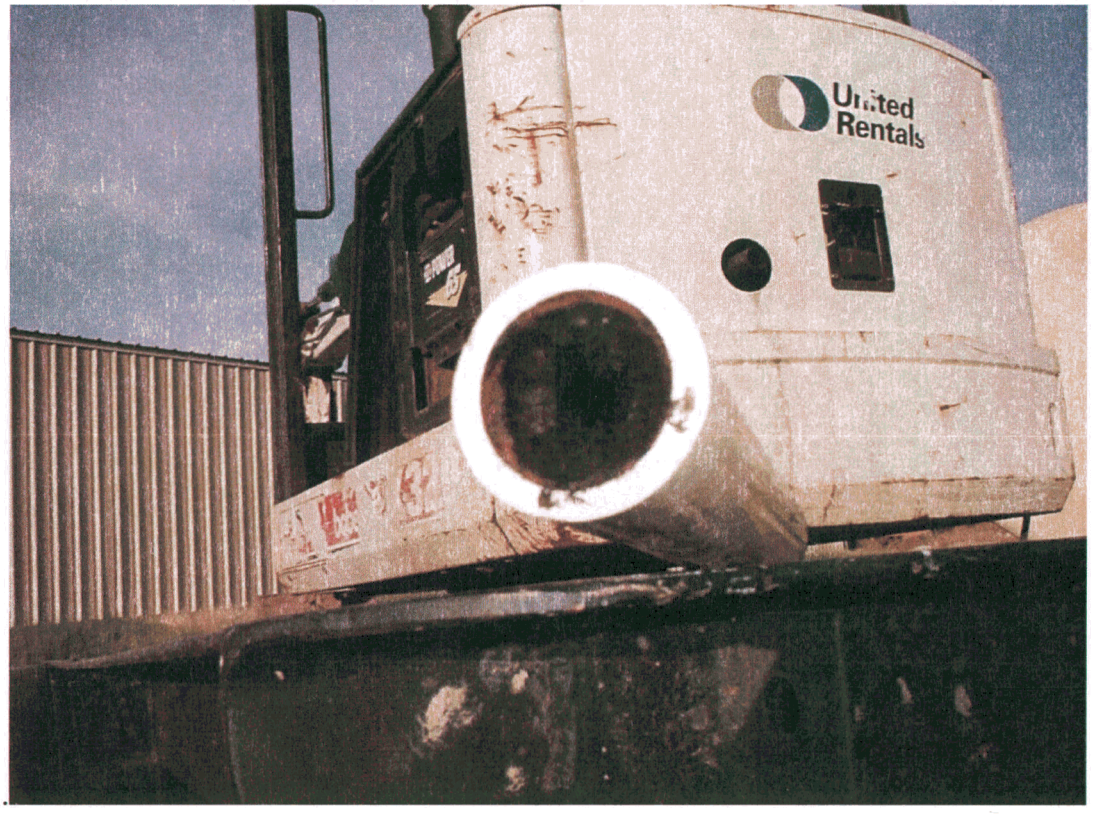
understanding, and outlined our plan to correct the issues related to the iron and manganese in the source water, and buildup in the pipelines.

- In 2008, we held our second public meeting. Fifty customers showed up. Although we received positive feedback on improvements, most present still had concerns with the aesthetic water quality. While the treatment systems were completed and working well, the buildup in the pipelines was reacting with the treated water resulting in discoloration and solids being stripped from the interior of the pipes. We reviewed successes to-date, and our ongoing system improvement plan.

- In September 2009, we held a third public meeting. Twenty-four members of the public showed up, primarily to discuss our rate proceedings. The group was unanimous on the greatly improved water quality. Many expressed their gratitude and thanks for our efforts. "The water has never been so good" was a common theme. While sometimes they still encounter bad days, and there are some pockets in the system that need to be addressed, the system condition has improved tremendously.

Some photographs show the dramatic improvement. The first is a section of water pipe showing years of scale build-up. Almost the entire cross sectional area is occluded. The second shows a different pipe with virtually no scale after almost two years of operation with the new treatment systems in place. Clearly our efforts are paying big dividends at Willow Valley.

Clearly our efforts are paying big dividends at Willow Valley.



Moe Rebuttal Testimony

DOCKET NOs. SW-02445A-09-0077 *et al.*

Rebuttal Testimony
of
Jamie Moe

November 20, 2009

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I. Rate Base.

Q. Did you review Staff's adjustments to rate base?

A. Yes. Global witnesses Trevor Hill and Matt Rowell address the ICFA issue. In addition, although the Company disagrees with Staff's adjustment imputing CIAC, Staff has made an error in its calculation of the amortization of imputed CIAC for Palo Verde. Staff uses Santa Cruz's historic plant balances in its amortization calculation instead of Palo Verde's historic plant balances.

Q. Have you reviewed RUCO's adjustments to rate base?

A. Yes. The Company accepts RUCO's adjustments to rate base related to their recalculation of Accumulated Depreciation. The Company does not accept RUCO's adjustments to plant in service, as it appears that they are related to misplaced links in the RUCO's working papers. The Company's adjustments decrease/(increase) Accumulated Depreciation are as follows:

Palo Verde	$373,408
Santa Cruz	641,535
Valencia - TD	203,589
Valencia - GBD	(33,680)
WUGT	(34,410)
Willow Valley	(44,015)

Q. Please summarize each party's proposed rate base.

A. Each party's proposed rate base for each Company is as follows:

	Company	Staff	RUCO
Palo Verde	$64,011,238	$53,470,597	$64,011,238
Santa Cruz	45,902,454	39,155,692	45,902,454
Valencia – TD	4,443,607	4,240,018	4,539,198
Valencia – GBD	895,377	929,057	895,377
WUGT	2,563,849	(6,123,255)	2,563,849
Willow Valley	2,207,149	2,251,164	2,177,504
Total	$120,023,674	$93,923,273	$120,089,620

II. Operating Income.

Q. Have you reviewed Staff and RUCO's adjustments to Operating Income?

A. Yes.

A. Staff Adjustment – Revenue and Expense Annualization.

Q. Please discuss Staff's adjustment regarding revenue and expense annualization.

A. Staff recommends removing the Company's proposed revenue and expense adjustment for Palo Verde, Santa Cruz, Valencia TD and Valencia GBD due to an increase in customer counts after the test year.

Q. What is the Company's position on this adjustment?

A. The Company accepts Staff's adjustment and proposes removal of its original adjustments for the Global Utilities as detailed in the rebuttal schedules under Schedule C-2, Page 2.

B. Staff Adjustment – Salaries, Wages, Pensions and Benefits.

Q. Please discuss Staff's adjustment regarding Salaries & Wages and Pensions & Benefits.

A. Staff recommends reclassification of the expenses in these accounts to Account No. 634, Contractual Services – Management Fees. There is no effect on operating expenses or operating income.

Q. What is the Company's position on this adjustment?

A. The Company is not making the adjustment at this time. The Company maintains there is better transparency concerning the level of this expense by leaving the accounting

treatment as is, rather than combining it with the other expenses included in Contractual Services.

C. Staff Adjustment – Materials and Supplies, Acct. Nos. 620.08 and 720.08.

Q. Does the Company agree with Staff's adjustment to Materials and Supplies, Account Nos. 620.08 and 720.08?

A. No. Staff's adjustment makes incorrect assumptions about expenses prior to the test year. Using the NARUC Uniform System of Accounts as the guideline, the Company maps general and office expenses to Materials and Supplies 620.08 or 720.08 (the ".08" referring to administrative and general expenses). Prior to the test year, all office expenses were allocated to the utilities through GWM invoicing, and accounted for under Contractual Services – Management Fees. As Staff mentions, and as discussed in the Direct Testimony of Mr. Barber, the Company implemented a cost-allocation methodology which served to directly allocate costs to the extent possible. The Company cannot go backwards and review every invoice from prior years to determine how it would have been allocated under the current methodology, nor can it review every single invoice from the test year to determine how it would have been allocated under the prior methodology. It does not seem logical to assume that the utilities had zero or practically zero office expense in prior years and to use that assumption in the calculation of a normalized cost. Indeed, there would be nothing "normal" about such a "normalized" cost, and it would not be a realistic reflection of either historic costs, or expected future costs. The "wide fluctuations" (Brown DT, Pg 18 ln 16-17) are entirely related to the change in cost allocation as requested by Staff, which provides more transparency in what actual costs the utility is incurring, as opposed to a wide variety of costs simply being placed in Contractual Services – Management Fees.

Additionally, most of the utilities had experienced significant growth over the previous three years (for example, Santa Cruz and Palo Verde added 9,218 connections each, over 50% of total current connections). This dramatic growth makes the use of a three year historical average impractical in accomplishing an accurate normalization of costs, as Staff has done in this adjustment. The use of a three-year historical average can be a solid basis for a normalization adjustment when customer counts are relatively steady. But in a high growth environment a three year average does not produce an accurate representation of the relevant costs.

Q. Staff states it sent a data request for all test year invoices for the materials and supplies expenses for account nos. 620.08 and 720.08 on May 2, 2009, yet the Company did not provide the requested information until September 22, 2009, thus affecting Staff's time to audit the documents and incorporate its findings in direct testimony. Can you please respond to Staff's statements regarding this data request.

A. Yes, the Global Utilities do not agree with Staff's depiction of the events regarding this data request. In response to Staff's data request dated May 2, 2009, the Global Utilities responded with the following on May 18, 2009:

> Expenses hitting this line item were coded to contract services - management (acct#83707) in 2007 and allocated through the old GWM invoicing process. These costs are now accounted for at the appropriate utility account, whether a direct cost or through GWI invoicing.
>
> The supporting documentation is voluminous. Please schedule an on-site visit and we will make the records available for inspection. If you could provide a list of samples you would like to audit, we will work to have the records ready for your visit.

Staff made 8 on-site visits during its audit. Most of this time was spent auditing plant records. During these 8 visits Staff did not mention the invoices for accounts 620.08 and

720.08 until August 27, 2009, which was Staff's final on-site visit. Then, Staff made its request and once again requested all invoices for Contract Services, Fuel for Purchased Power Production and Materials & Supplies (account nos. 620, 620.08, 720 and 720.08 were all mentioned in relation to materials and supplies) to be provided on compact disc. Prior to this, the Company had not received any requests from Staff related to these accounts since the original May 2, 2009, data request.

The Company asked Staff if samples from those accounts could be selected, as trying to gather, organize and scan all of the invoices would be extremely time-consuming and burdensome to the Company. Staff stated they needed all invoice support. The Company was able to provide the scanned support for Contract Services and Fuel for Purchased Power Production on September 11, 2009. This scanned documentation included 4,300 pages of invoices. Due to extra time required as a result of the amount of invoice support required for Materials & Supplies, the Global Utilities were unable to provide the scanned support until September 22, 2009. The additional documentation provided on September 22, 2009 included 2,264 pages of invoices.

D. Staff Operating Income Adjustment – Contractual Services - Management Fees.

Q. Please respond to Staff's Adjustment to Contractual Services – Management Fees.

A. The Company accepts Staff's adjustment to Contractual Services – Management Fees with one exception. In regards to the portion dealing with bonuses, Staff removes bonuses in two portions, indirect and direct. The "indirect" portion Staff refers to is included in the "direct" balance. This results in the same expense being removed twice. The corrected adjustment reducing operating expense to each utility is as follows:

Palo Verde	$26,716
Santa Cruz	36,447
Valencia, TD	55,315
Valencia, GBD	7,016
WUGT	4,629
Willow Valley	21,372

E. Staff Operating Income Adjustment – Purchased Power.

Q. Please respond to Staff's adjustment to purchased power expense.

A. The Company accepts Staff's adjustment to Purchased Power for WUGT. However, Staff's calculation of water loss percentage is erroneous. It is mathematically incorrect to use an average of averages in the calculation of water loss. Instead, a weighted average should be used. Each water system has different pumping levels, and each system's water loss should be weighted accordingly. The Global Utilities provide the following calculation for WUGT's percentage water loss:

Water System	Sold (in 1,000's)	Pumped (in 1,000's)	Water Loss	Weighted Average
Garden City	1,960	2,560	23.4%	1.3%
Roseview	2,212	2,413	8.3%	0.5%
WPE #1	342	499	31.5%	0.4%
WPE #6	1,758	2,530	30.5%	1.7%
Tufte	444	514	13.6%	0.2%
Buckeye Ranch	12,521	13,929	10.1%	3.2%
Dixie	4,023	5,656	28.9%	3.7%
Sunshine	15,745	16,375	3.8%	1.4%
Total	39,005	44,476		12.3%

Thus, the weighted average water loss is 12.3%. This is 2.3% over the water loss allowed by Staff Engineering. The water loss percentage of 2.3% applied to WUGT's Purchased

Power expense results in a decrease of $372. The Global Utilities' adjustment to Purchased Power is shown in its rebuttal schedules, Schedule C-2.

F. Staff Operating Income Adjustment – Bad Debt Expense.

Q. Please respond to Staff's adjustment to bad debt expense.

A. Staff's adjustment incorrectly focuses and uses the actual bad debt write-offs. This is incorrect as bad debt write-offs are a reduction to Allowance for Doubtful Accounts and Accounts Receivable; there is no effect on expenses. Bad Debt Expense, however, is a calculation made based upon an aging of receivables and the recognition that some customer bills may never be paid; this calculation is required by GAAP for conservatism. Staff's adjustment is akin to comparing apples and pears, they're both fruit and somewhat similar-looking, but they are not the same thing.

To avoid further argument, the Global Utilities will remove their original adjustments and use actual test year bad debt expense balances as the basis for the percentage of revenue calculation. Additionally, neither Staff nor RUCO adjusted bad debt expense to account for their recommended levels of revenues. The Global Utilities continue to support the need for an adjustment related to the increase in revenue requirement. The Global Utilities have calculated the rate as the test year adjusted bad debt expense divided by the adjusted test year total revenues. The calculation is shown in each utility's rebuttal schedules on Schedule C-2, page 3.

G. Staff Operating Income Adjustment – Depreciation Expense.

Q. Please respond to Staff's adjustment to Depreciation Expense.

A. The Company disagrees with Staff's adjustment to Depreciation Expense, as it disagrees with Staff's imputation of CIAC. Additionally, Staff reduced Depreciation Expense by the Accumulated Amortization of CIAC. This violates the matching principle of accounting. According to the NARUC Uniform System of Accounts (USOA), the concurrent credit for the amortization of CIAC shall be made to Depreciation Expense.[1] Staff's reduction to Depreciation Expense is overstated due to this misapplication.

H. Operating Income – Property Tax Pass-Through.

Q. Please respond to Staff and RUCO's positions on the Property Tax Pass-Through.

A. Both Staff and RUCO are opposed to the implementation of a Property Tax Pass-Through.

Q. How do the Global Utilities respond?

A. The Global Utilities agree with Staff that a pass through for Property Tax may be difficult to easily manage and that an adjustor would be more appropriate, and thus we propose the implementation of an adjustor.

Staff does not recommend an adjustor for Global Utilities, stating property taxes are not a significant portion of operating expenses. The Global Utilities disagree with Staff's assessment of property taxes. For example, over Santa Cruz's three-year history on Schedule E-2, Property Tax has moved from 2.2% of operating expenses in 2006 to 5.8% in 2008, demonstrating a significant level of volatility. In fact, property taxes range from 2.7% to 6.4% of the operating expenses, and in some cases are equivalent to the power and

[1] See NARUC Uniform System of Accounts, Section 272.C, 1996

treatment costs. Since the Commission has considered power and treatment costs adjustors in the past, it is our belief that some form of adjustor or pass through is appropriate in these cases. See Exhibit Moe-Rebuttal-1 for a description of the adjustor.

With further respect to the volatility of property tax stability, I suggest that Staff is incorrect in its assessment. One, the state's municipal budgets will likely require increases in personal and property taxes in the future. Two, the process of changing rates is a straightforward one, in which rates can be adjusted very quickly. For instance, I have enclosed as Exhibit Moe-Rebuttal-2, City of Maricopa Ordinance Number 05-05, which shows an increase in taxation of construction contracting activities from 2% to 3.5% approved by the City in February 2005. The magnitude of such an increase, were it applied to property tax assessments would be very destructive to net revenues – even in the context of a 3 year averaging period.

Q. Does the Company have any other concerns regarding Property Tax?

A. Yes, it appears that RUCO may have used the wrong property tax rates in their calculation, thus resulting in a calculation which is lower than it should be.

I. Operating Income – Income Taxes.

Q. Please respond to Staff and RUCO's adjustments to Income Taxes.

A. The Company does not have any issues with the calculations made by Staff and RUCO. The differences in Income Tax calculations between all parties are related to each party's differing levels of operating income.

III. CAGRD Pass Through.

Q. Please explain Staff and RUCO's position in regards to the CAGRD Pass Through.

A. Both Staff and RUCO are opposed to the implementation of the commodity-based CAGRD Pass Through. Both parties essentially argue that none of the utilities are currently paying CAGRD fees and that the costs are not known and measurable.

Q. Do you agree?

A. No. Since the CAGRD rates are based on consumption, this is truly a cost which is 100% based on customer consumption for utilities which obtain a DAWS. Please refer to Mr. Symmonds' testimony in regards to the benefits of obtaining a DAWS. CAGRD's 2009/2010 Firm Rates are shown in this table:

CAGRD 2009/2010 Firm Rates			
Phoenix AMA	$	318	per acre foot
Pinal AMA	$	279	per acre foot
Customer charge			
Phoenix AMA	$	0.98	per 1,000 gallons
Pinal AMA	$	0.86	per 1,000 gallons

I would also disagree that the costs are not known and measurable. Assuming the rates mentioned above for the Phoenix AMA, if a utility completed its DAWS December 31, 2009, and sold 10,000 gallons of water to a customer in January, the cost would be $9.80.

It should also be noted that this is simply a transfer of responsibility of the CAGRD assessment to the using party. In the case of developments operating under a Certificate of Assured Water Supply, the individual homeowners are assessed through their property tax at the same cost.

If CAGRD happened to change its rate, the new rate would easily be applied. Just as when a sales tax rate is changed, the commodity-based pass through could be adjusted accordingly. For all intents and purposes, the pass through rate would be known and measurable at the time it is applied.

Denial of the pass through potentially places from an expense of $.86 to $.98 per 1,000 gallons of customer usage on a company that chooses to pursue a DAWS. This is a cost directly related to customer consumption, but customers would not get the "cost signal" related to these costs until a future rate case is processed. As RUCO mentions, it also does not qualify as a "privilege, sales or use tax" since the CAGRD fees are not based on sales revenue. These costs are solely based on consumption. There is no more efficient way to handle these costs than a commodity-based pass through surcharge.

The bottom line is the approval of the CAGRD pass through helps protect the financial health of the utility and sends the appropriate price signal related to water usage. If the Commission does not find a pass through to be appropriate at this time, the Company proposes an adjustor mechanism similar to that recommended by Staff in the Johnson Utilities case (Jaress page 38, line 5-8).

IV. Franchise Fee Pass Through.

Q. Please summarize the Staff and RUCO position on the Franchise Fee pass through.

A. Staff is opposed to the Company proposal for a Franchise Fee pass through and also recommends denial of the costs entirely because no franchise election has been held. RUCO is opposed to the Franchise Fee pass through, but recommends rate recovery and has made an adjustment including the costs based on its proposed revenues.

Q. What is the Global Utilities' position after reading the Staff and RUCO recommendations?

A. The Global Utilities continue to support a Franchise Fee pass through. Global agreed to these contracts, in good faith, to obtain the numerous benefits to our customers provided by these contracts, recognizing that the municipalities would be entitled franchise fees upon implementation of franchise agreements. The Maricopa and Casa Grande City Councils voted to approve these agreements, and the city councils have chosen not to pursue franchise elections at this time. The Commission should recognize that these actions were made the by elected representatives of the people of those cities, and respect their choices. These fees are based entirely on sales and pass-through treatment is appropriate.

However, should the Commission deny pass-through treatment, then recognizing these fees in revenue requirement as recommended by RUCO would be appropriate.

V. <u>Distributed Renewable Energy Recovery Tariff.</u>

Q. Please summarize the Staff and RUCO position on the Global Utilities' request for a Distributed Renewable Energy Recovery Tariff.

A. Both Staff and RUCO recommend denial of the Distributed Renewable Energy Recovery Tariff.

Q. Do you agree?

A. No. Mr Rigsby states:

> While it is true that legislation has been passed which encourages the installation of devices that employ solar technology, there has been no federal or state legislation that actually requires individuals or businesses to actually install equipment that uses

> solar technology. Even more importantly, RUCO believes that uncertainties that exist regarding the financing aspects of obtaining such devices, not to mention the overall impacts that the devices may have on annual utility operation and maintenance costs, should be scrutinized in the context of a full rate case proceeding as opposed to the limited type of analysis that would occur in an ACRM filing that comes before the Commission.

It is true that there is no legislative requirement to achieve power self-sufficiency. That fact does not recognize the reality of our current situation. Power is, next to labor costs, the single highest cost for utilities. Compounding this is the link between water and power – the generation of power requires substantial amounts of water, and the production/transmission of water requires substantial power. In a world destined to be constrained by the realities of carbon management and water scarcity, it benefits our consumers to mitigate those effects today.

In many ways the situation is similar to the regional planning imperative that exists today to deal with water scarcity. Investing in infrastructure today can assist in achieving sustainability in the future. Not taking the steps today, will eliminate options in our future.

The Global Utilities are dedicated to Total Water Management, as discussed in Mr. Hill's Rebuttal Testimony. The Global Utilities develop their systems for water sustainability for the future of Arizona; they are not the "cheapest" systems that can be built. Simply taking recycled water out of the systems would cut costs. However, the Global Utilities will continue to build water and wastewater systems implementing the use of recycled water because it doing the right thing and the necessary thing for Arizona's future. Although these systems may not be the cheapest from day one, if properly planned the efficiencies can be recognized throughout the system life.

Q. How does this apply to the proposal of a Distributed Renewable Energy Recovery Tariff?

A. The use of renewable energy is similar. It is simply the right thing to do. The Commission has placed the Renewable Energy Standard on electric utilities, despite the fact that renewable energies are not currently the "cheapest" source of electricity. It may take time before customers fully recognize the cost benefits, but the additional benefits such as potential offset to future increases in energy costs, reduction to pollutants in the air, etc., cannot necessarily be quantified at this time.

Q. Staff states there are some risks associated with investing in solar power to run water and wastewater plants (Jaress Direct Testimony page 40). How does the Company respond?

A. It appears Staff's risks amount to a list of possible "what if" scenarios. Yes, the technologies are still evolving. Every electric utility in the state deals with this risk. For the benefit of the community, we cannot afford inactivity out of fear. Next month, a new technology to remove arsenic could be developed which is more efficient than any current options and costs very little. That does not mean that we will not use existing technology to treat arsenic. It is important to do what we can with what is available, and those actions will be reviewed to determine if they are reasonable and prudent. Additionally, the Commission's REST rules encourage electric utilities to incent their *residential* customers to install solar facilities on their homes. If the risk profile of solar installations is appropriate for residences, I do not see how it could be considered too risky for a company with the technical expertise of Global.

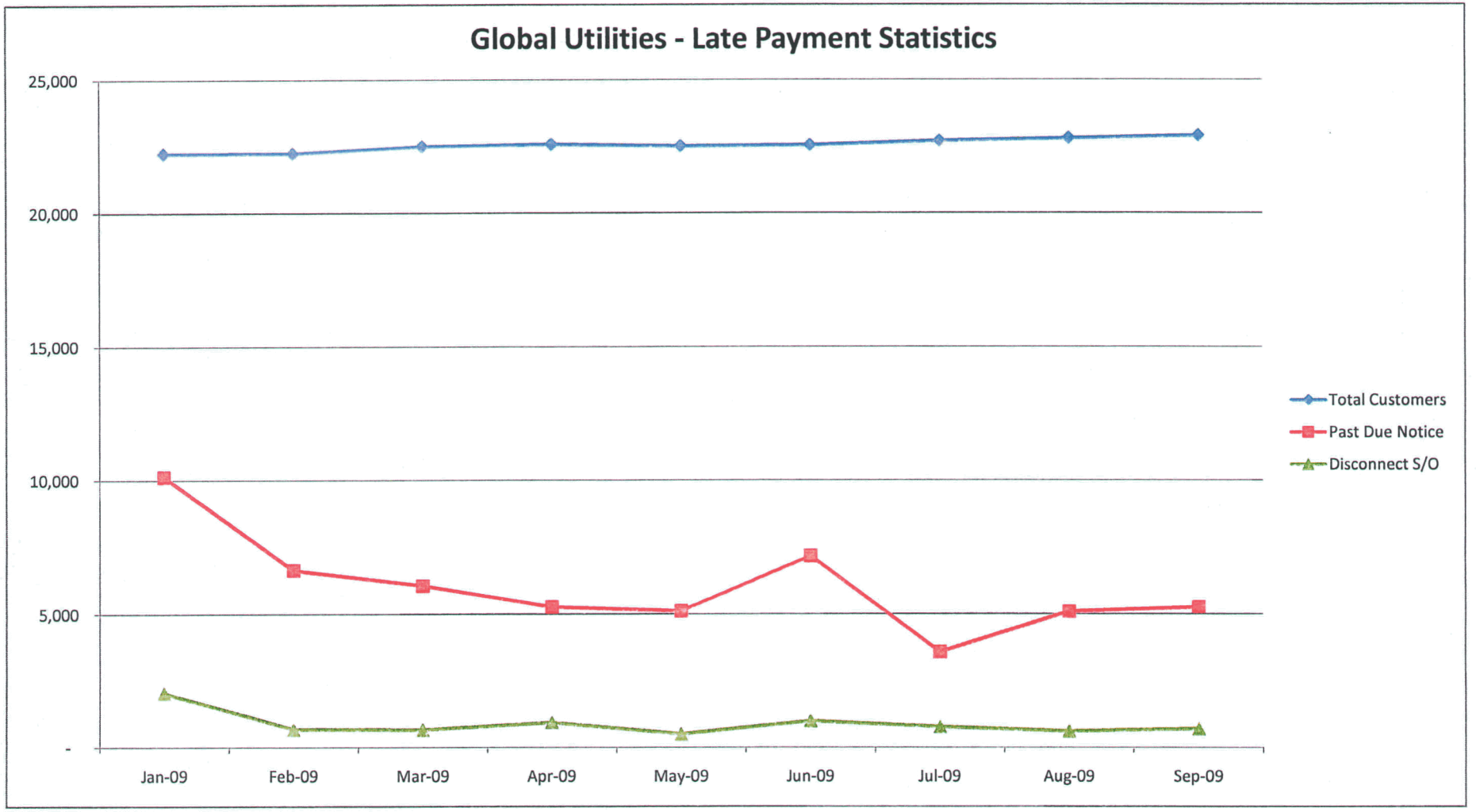
Q. RUCO states that "there is no law or regulation currently in effect that requires individuals or businesses to purchase and install the types of devices that Global Utilities wants to employ in the operation of the Company's plant facilities" (Rigsby Direct Testimony page 11). How do you respond?

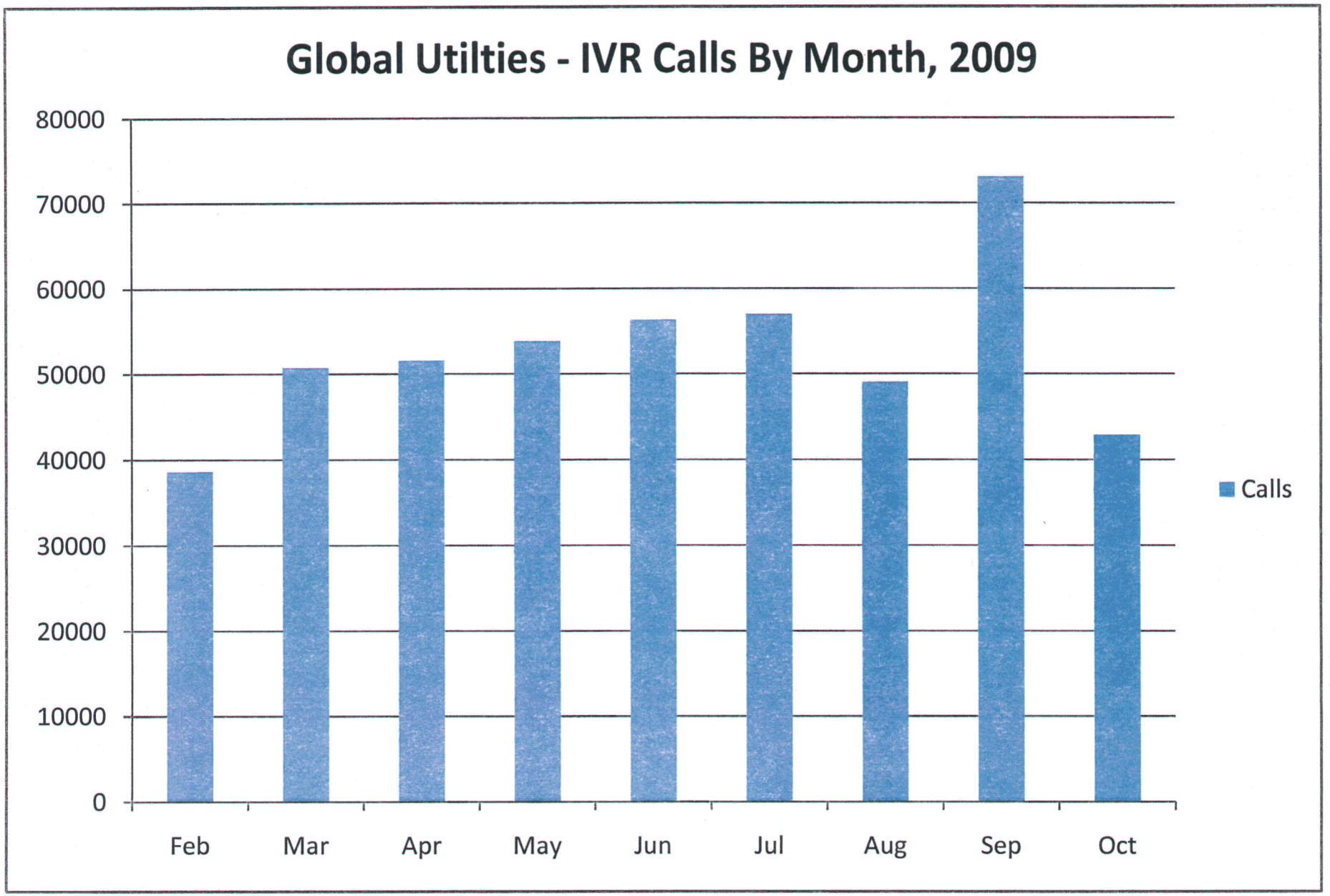
A. I agree, except for regulation on electric utilities in Arizona. However, the Global Utilities feel very strongly that they have a social obligation to do more than the bare minimum.

Hill – Rebuttal Exhibits

Hill

Rebuttal Exhibit 1


Global Utilities - Late Payment Statistics
25,000
20,000
15,000
10,000
5,000
-
Jan-09
Feb-09
Mar-09
Apr-09
May-09
Jun-09
Jul-09
Aug-09
Sep-09
Total Customers
Past Due Notice
Disconnect S/O


Global Utilties - IVR Calls By Month, 2009
80000
70000
60000
50000
40000
30000
20000
10000
0
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Calls

Symmonds – Rebuttal Exhibits

Symmonds

Rebuttal Exhibit 1

Arizona Department of Water Resources
2008 Long Term Storage Account Summary

Revised: 10/21/2009 by: KCL

ACCOUNT INFORMATION

Long Term Storage Account Holder:	Water Utility of Greater Tonopah
Long Term Storage Account Number:	70-441158
Balance as of:	December 31, 2008

NOTES

Other Debits: Pursuant to A.R.S § 45-852.01(B)(1), groundwater pumped pursuant to Water Utility of Greater Tonopah's service area right 56-002276.0000 is subject to WTRBUD.

ALL UNITS ARE EXPRESSED IN ACRE-FEET

WATER STORAGE PERMIT AND RECOVERY WELL ACTIVITY

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
WSP* Number	Facility Permit Number	Facility Type	Type of Water Stored	Recovery Well Permit Number	Non-Recoverable Water Entering Facility	Total Non-Recoverable Water	Beginning Balance (+)	Recoverable Water Entering Facility (+)	Physical Losses (-)	Annual Recovery (-)	Cut to the Aquifer*** (-)	LTS** Credits Recovered (-)	Other Debits**** (-)	*LTS** Credits Transferred Out* (-)	2008 WSP* Credit Balance	Current WSP* Credit Balance
73-578112.0200	71-578112	Managed	CAP	74-567343	0.00	0.00	3,456.39	20,129.50	59.01	0.00	1,003.52	0.00	136.60	0.00	18,930.37	22,386.76
73-593305.0800	71-593305	Constructed	CAP		0.00	0.00	5,854.79	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,854.79
TOTALS					0.00	0.00	9,311.18	20,129.50	59.01	0.00	1,003.52	0.00	136.60	0.00	18,930.37	28,241.55

CREDITS TRANSFERRED OUT

18	19	20	21	22
WSP* Number	LTS** Account Transferred To	Transfer Recipient	Transfer Date	*LTS** Credits Transferred Out* (-)
TOTALS				0.00

CREDITS TRANSFERRED IN ACTIVITY

23	24	25	26	27	28	29	30	31	32	33
LTS** Account Received From	Entity Received From	WSP** Number Received From	Transfer Date	Type of Water Received	Recovery Well Permit Number	Beginning Balance (+)	LTS** Credits Transferred (+)	LTS** Credits Recovered (-)	Other Debits**** (-)	Total Transferred In LTS** Credits
70-441120	CAWCD	73-534439	4/27/1998	CAP		30.00	0.00	0.00	0.00	30.00
TOTALS						30.00	0.00	0.00	0.00	30.00

34 **Total Recoverable LTS** Account Balance** 28,271.55

* WSP=Water Storage Permit

** LTS=Long Term Storage

*** Non Effluent LTS Credits earned were debited 5%. No deduction will be assessed on recovery.

**** Other Debits are listed by type in the notes section above.

Arizona Department of Water Resources
2007 Long Term Storage Account Summary

Revised: 10/21/2009 by: KCL

ACCOUNT INFORMATION	
Long Term Storage Account Holder:	Water Utility of Greater Tonopah
Long Term Storage Account Number:	70-441158
Balance as of:	December 31, 2007

NOTES

Other Debits: Pursuant to A.R.S § 45-852.01(B)(1), groundwater pumped pursuant to Water Utility of Greater Tonopah's service area right 56-002276.0000 is subject to WTRBUD.

ALL UNITS ARE EXPRESSED IN ACRE-FEET

WATER STORAGE PERMIT AND RECOVERY WELL ACTIVITY

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
WSP* Number	Facility Permit Number	Facility Type	Type of Water Stored	Recovery Well Permit Number	Non-Recoverable Water Entering Facility	Total Non-Recoverable Water	Beginning Balance (+)	Recoverable Water Entering Facility (+)	Physical Losses (-)	Annual Recovery (-)	Cut to the Aquifer*** (-)	LTS** Credits Recovered (-)	Other Debits**** (-)	*LTS** Credits Transferred Out* (-)	2007 WSP* Credit Balance	Current WSP* Credit Balance
73-578112.0200	71-578112	Managed	CAP	74-567343	0.00	0.00	0.00	3,799.80	27.10	0.00	188.64	0.00	127.68	*0.00*	3,456.39	3,456.39
73-593305.0800	71-593305	Constructed	CAP		0.00	0.00	0.00	6,200.00	37.06	0.00	308.15	0.00	0.00	*0.00*	5,854.79	5,854.79
																0.00
																0.00
																0.00
																0.00
																0.00
																0.00
																0.00
																0.00
TOTALS					0.00	0.00	0.00	9,999.80	64.16	0.00	496.78	0.00	127.68	*0.00*	9,311.18	9,311.18

CREDITS TRANSFERRED OUT

18	19	20	21	22
WSP* Number	LTS** Account Transferred To	Transfer Recipient	Transfer Date	*LTS** Credits Transferred Out* (-)
TOTALS				*0.00*

CREDITS TRANSFERRED IN ACTIVITY

23	24	25	26	27	28	29	30	31	32	33
LTS** Account Received From	Entity Received From	WSP** Number Received From	Transfer Date	Type of Water Received	Recovery Well Permit Number	Beginning Balance (+)	LTS** Credits Transferred (+)	LTS** Credits Recovered (-)	Other Debits**** (-)	Total Transferred In LTS** Credits
70-441120	CAWCD	73-534439	4/27/1998	CAP		30.00	0.00	0.00	0.00	30.00
TOTALS						30.00	0.00	0.00	0.00	30.00

34 **Total Recoverable LTS** Account Balance** 9,341.18

* WSP=Water Storage Permit

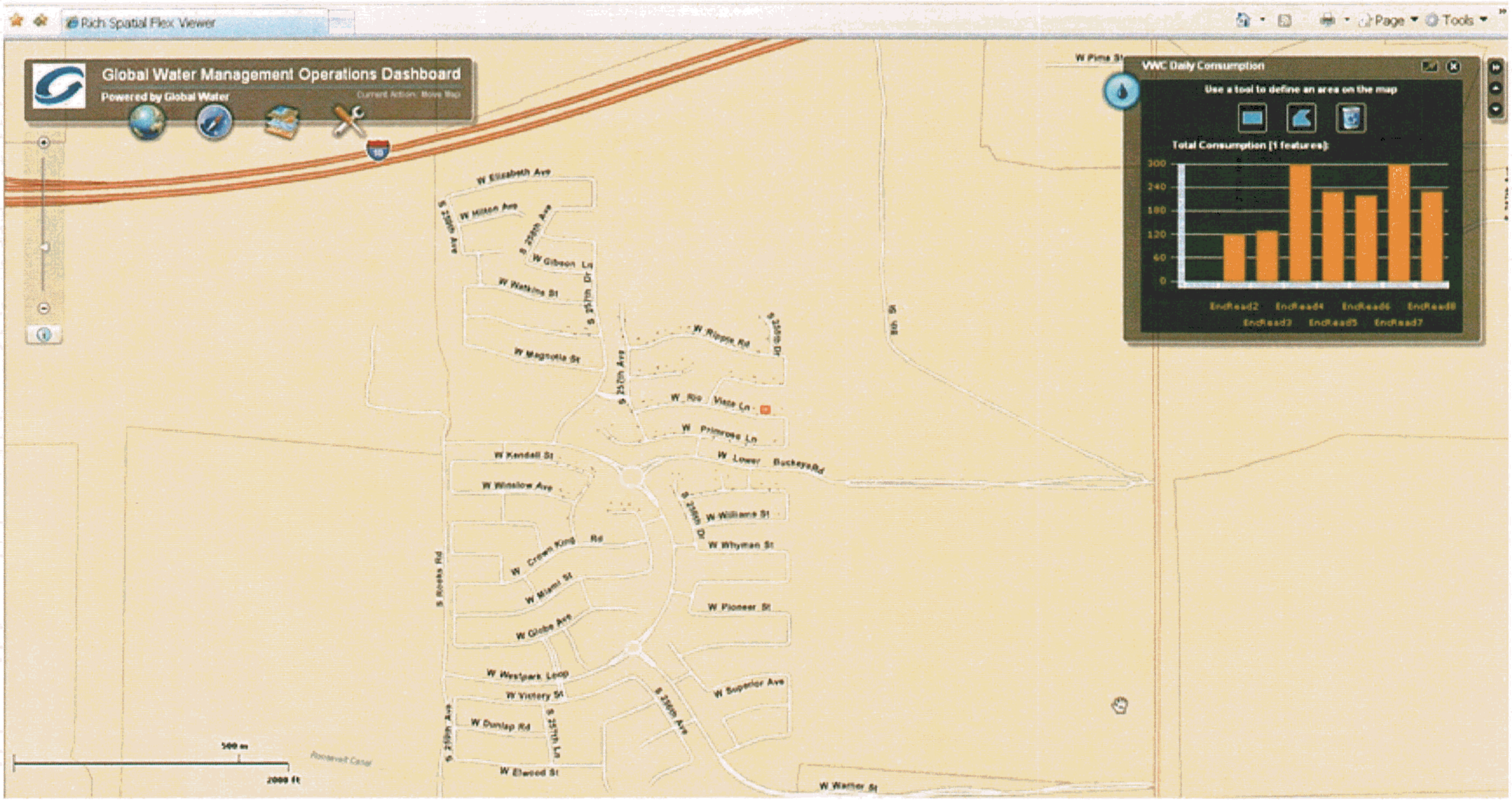
** LTS=Long Term Storage

*** Non Effluent LTS Credits earned were debited 5%. No deduction will be assessed on recovery.

**** Other Debits are listed by type in the notes section above.

Symmonds

Rebuttal Exhibit 2



Rich Spatial Flex Viewer
Page
Tools
Global Water Management Operations Dashboard
Powered by Global Water
VWC Daily Consumption
Use a tool to define an area on the map
Total Consumption (1 features):
300
240
180
120
60
0
EndRead2
EndRead3
EndRead4
EndRead5
EndRead6
EndRead7
EndRead8
W Pima St
W Elizabeth Ave
W Hilton Ave
W Gibson Ln
W Watkins St
W Magnolia St
W Ripple Rd
W Rio Vista Ln
W Primrose Ln
W Lower Buckeye Rd
W Kendall St
W Winslow Ave
W Williams St
W Whyman St
W Crown King Rd
W Miami St
W Pioneer St
W Globe Ave
W Westpark Loop
W Superior Ave
W Victory St
W Dunlap Rd
W Elwood St
W Watkins St
S Rooks Rd
500 m
2000 ft

Symmonds

Rebuttal Exhibit 3

GLOBAL WATER
RELIABLE · RENEWABLE · REUSABLE

Publication Date: October 16, 2009

SUN VALLEY RANCHES PWS 07-195

STANDARD OPERATING PROCEDURE - **MAIN WELL FAILURE**

Purpose:

The Sun Valley Ranches public water system is equipped with two potable water wells. As such, the storage volume within the system meets regulatory requirements. The second potable water well is considered a back-up well as it must be powered by a generator. The purpose of this standard operating procedure is to document the start up procedure for bringing the back up well on line.

Workflow

1) Determine that the main well has failed. This is determined with each round check conducted by the operations team.

2) Upon well failure, immediately contact the Operations Manager and inform the operator that primary well has failed. The Operations Manager will notify the General Manager and Global Water Compliance Manager and inform them that the primarily well at Sun Valley has failed.

3) Contact Empire Generator Services and instruct Empire to pick up the mobile emergency power generation unit (EPU #002) at the Valencia Water Company Office; deliver the generator to the back up well site and connect the generator to the existing transfer switch.

4) Contact the Operations Manager and report the expected delivery time for the generator and the current level in the existing storage reservoir and stand by for other instructions.

5) Once the Generator is connected immediately begin flushing the well.

6) Flush the well for 15 minutes or until the water appears clear.

7) Check transmission pipeline valves and tank valves and ensure they are open.

8) Begin directing the well water to the reservoir.

9) Check the chlorine residual at the distribution pump station and set the chlorinator for 2.0 mg/l chlorine residual.

10) Contact the Operations Manager and report the back up well is in service. The Operations Manager will relay the report to the General Manager and the Compliance Manager.

11) Stay on site 30 minutes and await any other instructions.

12) After 30 minutes conduct a site check of all well and distribution facilities and inform the Operations Manager of their condition. Complete any instructions and begin daily site checks until primary well is restored.

13) Schedule fuel delivery to generator as necessary.

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

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2008 AUG 26 P 4:01

AZ CORP COMMISSION
DOCKET CONTROL

COMMISSIONERS
MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF WATER UTILITY OF GREATER BUCKEYE, INC. FOR AN EXTENSION OF ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY.	DOCKET NO. W-02451A-06-0792 **NOTICE OF FILING COMPLIANCE**

Decision No. 70182 (February 27, 2008) requires Water Utility of Greater Buckeye ("WUGB") to file a copy of the Approval of Construction ("AOC") issued by Maricopa County Environmental Services Department for the addition of a well or wells with a minimum capacity of 300 GPM for the Sun Valley/Sweetwater I water system, within six months of the effective date of the Decision. Under Decision No. 70138 (February 27, 2008) the Certificate of Convenience and Necessity, assets and compliance obligations of WUGB were transferred to Valencia Water Company, Inc. Accordingly, Valencia files the attached AOC for the additional well for Sun Valley. Also attached is a copy of the Arizona Department of Water Resource ("ADWR") well registry that shows the pump capacity at 500 GPM.

RESPECTFULLY SUBMITTED this 26th day of August, 2008.

Arizona Corporation Commission
DOCKETED
AUG 26 2008
DOCKETED BY

ROSHKA, DEWULF & PATTEN, PLC

By _____
Michael W. Patten
Timothy J. Sabo
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

Original and 13 copies of the foregoing filed this 26th day of August 2008 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copy of the foregoing hand-delivered/mailed this 26th day of August, 2008 to:

Lyn A. Farmer, Esq.
Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Janice Alward, Esq.
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ernest G. Johnson, Esq.
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Brian Bozzo
Compliance Manager, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Debbie Amaral

ROSHKA DE[illegible] & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

Environmental Services Department
1001 N. Central Avenue, Suite 201
Phoenix, AZ 85004-1940

Division of Water and Waste Management
Subdivision Infrastructure & Planning
(602) 506-1058
FAX (602) 506-5813

Approval of Construction and/or Verification of General Permit Conformance

PWS# 04-07- 1 9 5 **MCESD #** 61280 **Type of Component** Backup Well
(One (1) MCESD# per request) (Example: water, sewer, reuse, lift station, etc.)

DWR# 55- 8 0 0 9 4 6 **Wells Only** (Must have source approval before applying for AOC.)

Project Name: West Phoenix Estates Units XI and XII Well

Project Address: Approximately McDowell Road and 303rd Avenue
(Physical location of project)

Project Description
Backup Well for existing water supply system.

Project Owner: Jason Bethke Job Title Director of Engineering

Company Name Water Utility of Greater Buckeye

Mailing Address 21410 N. 19th Avenue, #201

City Phoenix State AZ Zip Code 85027

Signature of Project Owner Jason Bethke Date 8/15/08

Engineer's Certificate of Completion

I, Jeff Davidson, a Professional Engineer registered in the State of Arizona; confirm that the project was completed in compliance with the plans and specifications approved by the Department, except as noted on the "as-built" plans. Applicable test results as required are attached.

Seal & Signature

Registered Professional Engineer (Civil) CERTIFICATE NO. 37279 JEFFREY S. DAVIDSON Date Signed 8/15/08 ARIZONA, U.S.A.

EXPIRES 3/31/09

Engineer's Phone 602.316.9741

Engineer's Fax 480.642.1918

Department Use Only

Approval of Construction and/or Verification of General Permit Conformance

For the project as described above, the Project Owner is granted an Approval of Construction and/or Verification of General Permit Conformance for operation and/or discharge under the terms of General Permit A.01 in accordance with Title 18, Chapter 9, and Permit Article 2 (Wastewater); And/Or Title 18, Chapters 4 and 5 and Chapters IV and V of The Maricopa County Environmental Health Code (Water).

By for **Wesley A. Shonerd, PE, Program Manager**
Subdivision Infrastructure & Planning

Date 8/18/08

(Note: Once MCESD Signs This Application, It Becomes The Certificate)

Revised 1/2008

DO NOT ALTER APPLICATION

Environmental Services Department
1001 N. Central Avenue, Suite 201
Phoenix, AZ 85004-1940

Division of Water and Waste Management
Subdivision Infrastructure & Planning
(602) 506-1058
FAX (602) 506-5813

Approval of Construction and/or Verification of General Permit Conformance

PWS# 04-07- 1 9 5 **MCESD #** 61279 **Type of Component** Water Line
(One (1) MCESD# per request) (Example: water, sewer, reuse, lift station, etc.)

DWR# 55- _____ **Wells Only** (Must have source approval before applying for AOC.)

Project Name: West Phoenix Estates Units XI and XII potable water system

Project Address: Approximately McDowell Road and 303rd Avenue
(Physical location of project)

Project Description
Transmission line from well to storage reservoir.

Project Owner: Jason Bethke Job Title Director of Engineering

Company Name Water Utility of Greater Buckeye

Mailing Address 21410 N. 19th Avenue, #201

City Phoenix State AZ Zip Code 85027

Signature of Project Owner Jason Bethke Date 8/15/08

Engineer's Certificate of Completion

I, Jeff Davidson, a Professional Engineer registered in the State of Arizona; confirm that the project was completed in compliance with the plans and specifications approved by the Department, except as noted on the "as-built" plans. Applicable test results as required are attached.

Seal & Signature

Registered Professional Engineer (Civil) CERTIFICATE NO. 37279 JEFFREY S. DAVIDSON Date Signed 6.19.08 ARIZONA, U.S.A.

EXPIRES 3/31/11

Engineer's Phone 602.316.9791

Engineer's Fax 480.648.1918

Department Use Only **Approval of Construction and/or Verification of General Permit Conformance**

For the project as described above, the Project Owner is granted an Approval of Construction and/or Verification of General Permit Conformance for operation and/or discharge under the terms of General Permit 4.01 in accordance with Title 18, Chapter 9, and Permit Article 2 (Wastewater); And/Or Title 18, Chapters 4 and 5 and Chapters IV and V of The Maricopa County Environmental Health Code (Water).

By T. E. Shonerd for **Wesley A. Shonerd, PE, Program Manager** 8/14/08
Subdivision Infrastructure & Planning **Date**

(Note: Once MCESD Signs This Application, It Becomes The Certificate)

Revised 1./ 2008

DO NOT ALTER APPLICATION

APPROVED BY

MARICOPA COUNTY ENVIRONMENTAL SERVICES DEPT. SANITARY ENGINEER. ______ DATE

FIRE DEPARTMENT ______ DATE

WATER COMPANY ______ DATE

WEST PHOENIX ESTATES, INC.
PHOENIX, ARIZONA
SUN VALLEY RANCH
PHASE 2 WATER SYSTEM IMPROVEMENTS
WEST PHOENIX ESTATES, UNITS XI & XII
SECTION 6, T1N., R4W., MARICOPA COUNTY

GENERAL NOTES

1) WATER PIPES SHALL BE INSTALLED IN ACCORDANCE WITH AWWA-C150/A21.50 LAYING CONDITION TYPE 5. PIPE SHALL BE LAID WITH SUPPORT UNDER FULL LENGTH OF THE PIPE BARREL WITH HAND-EXCAVATED HOLES FOR COUPLINGS AND/OR BELLS. GRANULAR OR SELECT BEDDING MATERIAL SHALL BE AGGREGATE BASE COURSE COMPACTED TO 95 PERCENT IN ACCORDANCE WITH MAG SPECIFICATIONS. SPECIAL CARE SHALL BE TAKEN TO CAREFULLY PLACE AND COMPACT THE MATERIAL FROM THE BOTTOM OF THE TRENCH TO THE SPRINGLINE OF THE PIPE. OWNER RESERVES THE RIGHT TO CONDUCT COMPACTION TESTS OF THE BEDDING MATERIAL PRIOR TO CONTRACTOR'S PLACING OF THE BACKFILL MATERIAL.

2) CONTRACTOR SHALL DISINFECT ALL PIPE, VALVES, AND FITTINGS IN ACCORDANCE WITH MAG SPECIFICATIONS.

3) CONTRACTOR SHALL PROVIDE CONSTRUCTION SURVEY INCLUDING HORIZONTAL AND VERTICAL CONTROLS. CONTRACTOR SHALL PROVIDE A SET OF RED LINED PLANS OF AS-BUILT MEASUREMENTS.

4) CONTRACTOR SHALL BEGIN WORK WITHIN TEN (10) DAYS OF RECEIVING NOTICE TO PROCEED FROM OWNER. ALL WORK SHALL BE COMPLETED WITHIN SIXTY (60) DAYS AFTER NOTICE TO PROCEED.

5) IT SHALL BE THE CONTRACTOR'S RESPONSIBILITY TO REMOVE ALL ABANDONED UTILITIES THAT INTERFERE WITH THE CONSTRUCTION OF THE WORK.

6) PROTECTION OF ALL UTILITY CROSSINGS IS CONTRACTOR'S RESPONSIBILITY.

7) THESE PLANS SHALL GOVERN OVER MAG SPECIFICATIONS AND DETAILS. THE CONTRACT DOCUMENTS AND THESE GENERAL NOTES SHALL GOVERN OVER THESE PLANS.

8) THE CONTRACTOR SHALL PROVIDE AND MAINTAIN ON THE JOB SITE ONE COMPLETE SET OF PRINTS OF ALL DRAWINGS WHICH FORM A PART OF THIS CONTRACT. IMMEDIATELY AFTER EACH PORTION OF THE WORK IS INSTALLED, HE SHALL INDICATE ALL DEVIATIONS FROM THE ORIGINAL DESIGN SHOWN ON THE DRAWINGS EITHER BY ADDITIONAL SKETCHES OR IN INK THEREON. UPON COMPLETION OF THIS JOB, CONTRACTOR SHALL DELIVER THIS RECORD SET OF DRAWINGS TO OWNER.

9) THERE SHALL BE NO EXTRAS OR ADDED COSTS TO THE CONTRACT PRICE UNLESS WRITTEN APPROVAL IS GIVEN BY OWNER TO CONTRACTOR IN ADVANCE OF THE WORK BEING DONE BY CONTRACTOR. ANY CHANGES IN THE WORK, BUT AT NO EXTRA COST TO THE CONTRACT, MUST ALSO HAVE SIGNED APPROVAL BY OWNER PRIOR TO SUCH WORK BEING DONE BY THE CONTRACTOR. THIS SHALL BE DONE WITH CHANGE ORDER FORMS FURNISHED BY THE OWNER.

10) CONTRACTOR (OR HIS SUBCONTRACTORS) SHALL NOT DEVIATE FROM THE CONSTRUCTION PLANS AND SPECIFICATIONS OR MAKE FIELD CHANGES WITHOUT NOTIFYING IN WRITING THE OWNER FOR APPROVAL OF THE MODIFICATIONS. ANY CHANGES MADE WITHOUT APPROVAL OF OWNER ARE SUBJECT TO REMOVAL AT THE EXPENSE OF THE CONTRACTOR.

11) PIPING AND ACCESSORIES. CONTRACTOR SHALL FURNISH AND INSTALL ALL NECESSARY UNIONS, [illegible], COUPLINGS, ELBOWS, TEES, ADAPTERS, CLAMPS, AND OFFS, SUPPORTS, GASKETS, BOLTS, AND BRACKETS TO INSTALL AND SUPPORT THE PIPING SYSTEMS AS SHOWN AND AS NOTED.

12) ALL WATER LINES SHALL HAVE A MINIMUM OF THREE(3) FEET OF COVER.

13) EXISTING WATER LINES IN UNITS XI AND XII SHALL BE FLUSHED PRIOR TO CONNECTING THE NEW WATER LINE. ALL EXISTING WATER LINES HAVE BEEN TESTED IN ACCORDANCE WITH MAG SECTION 610.14.

14) A FOUR MINIMUM DEPTH TO TOP OF PIPE ACROSS 307th AVENUE. ANY VERTICAL OR HORIZONTAL PIPE DEFLECTION SHALL BE WITHIN MAXIMUM JOINT TOLERANCE LIMITS RECOMMENDED BY PIPE MANUFACTURER.

MARICOPA COUNTY GENERAL NOTES

1) All construction shall conform to the latest Maricopa County Department of Transportation Standard details and M.A.G. Specifications and Maricopa County Special Provisions for Construction of Street Improvements dated November 3, 1993.

2) Contractor to obtain necessary Maricopa County Department of Transportation Permits prior to construction within County right-of-way.

3) Contractor shall notify the Maricopa County Department of Transportation at least 24 hours in advance of any construction.

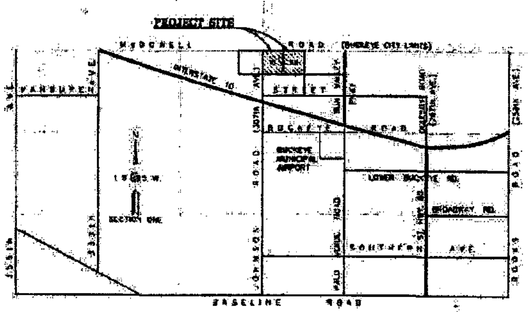
4) Contractor performing excavation operations is responsible for location and protection of all underground utilities.

*5) All [illegible] within County right-of-way shall conform to the Special Provisions for Construction of Street Improvements and Installation of Underground Utilities adopted November 3, 1993.

6) If existing street equipment, because of contractor's work, needs to be relocated or replaced, it will be done by the contractor at his expense.

7) Signal work will be inspected and will have to meet County Standards before release of Bond.

* Applies to underground utilities only.



LOCATION/VICINITY MAP
NOT TO SCALE

SPECIFICATIONS

1) GENERAL – The Contractor shall furnish and install new valves, piping and appurtenances in accordance with the plans and specifications contained herein. Minor adjustments in horizontal and vertical alignment will be allowed to accommodate actual equipment and materials used.

2) SPECIFICATIONS – The work shown on the plans and described herein for the construction of this project shall be done in accordance with the most recent Maricopa Association of Governments Uniform Standard Specifications and Details for Public Works Construction with revisions thereto. In case of conflict, the Detailed Specifications herein will supersede the MAG Uniform Standard Specifications.

3) MATERIAL AND EQUIPMENT STANDARDS – Unless otherwise noted on these plans and specifications, all materials shall conform to the following material standards:
PVC WATER TRANSMISSION LINE & FITTINGS SHALL BE AWWA C-900 CLASS 150.
Ductile Iron Water Pipe and Fittings – MAG Section 750.
Flanges – C153, C110, CLASS 150.
Gate Valves – MAG Section 630.
Fire hydrants shall be installed per MAG Detail 360 and conform to MAG Section 755.

4) TESTING – The contractor shall test all new work prior to acceptance. Piping, valves, etc. shall be pressure tested in the presence of the owner, in accordance with MAG section 610.

5) MANUFACTURER'S RECOMMENDATIONS – Contractor shall apply, install, connect, erect, use and clean all manufactured articles, materials and equipment per the manufacturer's current recommendations.

6) PROTECTION OF EXISTING WORK AND LANDSCAPE – The contractor shall protect and preserve all existing walkways, utilities and landscaping. The contractor shall be responsible for replacing or repairing, at his own expense, any and all surface and buried structures and facilities, electric, water, gas, telephone or other utilities damaged in the course of this construction project.

7) FINAL CLEANUP AND GRADING – After completion of all work, the Contractor shall remove all debris and restore landscaping to original condition, leaving the site clean and neat.

8) WORKMANSHIP – Work shall be performed by skilled mechanics in accordance with all ordinances and regulations of State, County and Municipal authorities, private utility companies and as shown herein.

9) GUARANTY – All work shall be guaranteed for a period of one (1) year after final official acceptance of the contract work. All guarantees shall be in writing.

10) VALVE BOXES – All valve boxes shall be MAG detail 391-1 Type "A".

11) THRUST BLOCKING – Thrust blocks shall be installed per MAG detail 380.

12) WATER SERVICE LINES – Service lines shall be schedule 80 PVC and shall be installed per M.A.G. section 631 and detail sheet 2. All taps shall be made with a [illegible] tapping saddle. Lockable angle meter stops shall be 3/4" bronze. [illegible] shall be installed per detail on sheet 2, approximately one foot from property line.

INDEX

LEGEND

CENTERLINE
RIGHT-OF-WAY
EASEMENT LINE
EXIST. WATER LINE
WATER LINE
WATER LINE TEE
WATER LINE CROSS
WATER VALVE
FIRE HYDRANT
WATER SERVICE

WEST PHOENIX ESTATES INC.
2425 E. CAMELBACK ROAD, STE 375
PHOENIX, ARIZONA 85016
Phone: (602) 224-0690 Fax: (602) 224-6434

Sun Valley Ranch
Phase 2 Water Improvements
COVER SHEET

SHEET NUMBER
1 of 9

Morrison Maierle/CSSA
ENGINEERS PLANNERS SURVEYORS
1821 North 16th Street, Phoenix, Arizona 85016
FAX: (602) 279-3554
Phone: (602) 279-2828

REVISIONS

NO.	DESCRIPTION	DATE	BY

Run Date: 10/10/2007

AZ DEPARTMENT OF WATER RESOURCES

WELL REGISTRY REPORT - WELLS55

Location B 1.0 4.0 6 B A B

Well Reg.No
55 - 800946

AMA PHOENIX AMA

Registered Name: WATER UTILITY OF,
2198 E CAMELBACK 340
PHOENIX AZ 85016

File Type: LATE REGISTRATION
Application/Issue Date: 09/15/1983

Owner: OWNER
Driller No.: 0
Driller Name:
Driller Phone:
County: MARICOPA
Intended Capacity GPM: 0.00

Well Type: NON-EXEMPT
SubBasin: HASSAYAMPA
Watershed: LOWER GILA RIVER
Registered Water Uses: MUNICIPAL
Registered Well Uses: WATER PRODUCTION
Discharge Method: NONE
Power: NO POWER CODE LISTED

Well Depth	610.00	Case Diam	16.00	Tested Cap	500.00
Pump Cap.	750.00	Case Depth	600.00	CRT	
Draw Down	0.00	Water Level	180.00	Log	
		Acres Irrig	0.00	Finish	STEEL - PERFORATED OR SLOTTED CASING

Contamination Site: NO - NOT IN ANY WQARF SITE

Comments: BUCKEYE(J. MIHLIK)

Current Action

10/13/2005 855 CHANGE OF WELL LEGAL DESCRIPTION
Action Comment: DH

Action History

4/19/1957 755 WELL CONSTRUCTION COMPLETED
Action Comment:

Symmonds

Rebuttal Exhibit 4

Gallons per Hour per Mile per Inch (GPHMI)

Utility	PWS	2008 Annual Report Data							Gallons per Day	Gallons per Hour
		pumped *	sold *	Unaccounted For Water	Flushing	Net Unaccounted for Water	% of water loss	Linear Feet of Pipe	per Mile per Inch	per Mile per Inch
Santa Cruz										
	11-131	1,749,993	1,701,471	48,522		48,522	2.8%	1,408,930	50.23	2.09
Willow Valley Water Company										
Lake Cimmaron	08-129	13,543	10,379	3,164		3,164	23.4%	19,204	280.79	11.70
King Co	08-040	115,312	91,995	23,317		23,317	20.2%	103,294	697.41	29.06
Valencia TD										
	07-078	691,866	635,251	56,615		56,615	8.2%	560,131	162.25	6.76
Valencia GB										
Sun Valley	07-195	48,210	39,057	9,153		9,153	19.0%	107,610	194.27	8.09
Bulfer/Primrose	07-114	11,970	11,178	792		792	6.6%	14,073	123.37	5.14
Sonoran Ridge	07-732	14,762	13,384	1,378		1,378	9.3%	11,347	193.97	8.08
Sweetwater II	07-129	13,305	11,586	1,719		1,719	12.9%	14,518	343.78	14.32
Water Utility of Greater Tonopah										
B&D/Buckeye Ranch	07-618	13,929	12,521	1,408		1,408	10.1%	47,643	85.26	3.55
Dixie	07-030	5,656	4,023	1,633		1,633	28.9%	17,567	420.67	17.53
WPE #6	07-733	2,530	1,758	772	180	592	23.4%	47,647	37.25	1.55
Tufte	07-617	514	444	70		70	13.6%	4,937	35.78	1.49
Garden City	07-037	2,560	1,960	600		600	23.4%	20,220	96.44	4.02
Roseview	07-082	2,413	2,212	201		201	8.3%	6,494	74.62	3.11
Sunshine	07-071	16,375	15,745	630		630	3.8%	61,777	23.17	0.97
WPE#1	WPE #1	499	342	157		157	31.5%	33,106	17.15	0.71
Water Utility of Northern Scottsdale										
	07-179	13,746	13,244	502		502	3.7%	41,584	29.10	1.21

* in thousands

All data from ACC Annual Reports with the following exception:

Sonoran Ridge (PWS 07-732) shows more sold than pumped in the Annual Reports. This is due to the timing of the invoices versus the calendar month of the pumped data, and the large construction water withdrawals that were taking place in late 2007 and the first half of 2008. This was noted in a letter to the ACC on 29 April 2009 during the sufficiency determination. To demonstrate the GPHMI for this system, the data shown in this table is derived from the sold volume from Feb to Dec 08, and the pumped volumes from Jan to Nov 08.

Moe – Rebuttal Exhibits

Moe

Rebuttal Exhibit 1

Example of Property Tax Adjustor

Moe Rebuttal - 1

Line		Calculations	
1	Rate Case Calculated Property Tax	$	400,000
2	Test Year Gallons Sold (in 1,000's)		1,500,000
3	Commodity Base Rate (Line 1 / Line 2)	$	0.27
	Year 1		
4	Property Tax Adjustor	**$**	**-**
5	Actual Property Tax Expense	$	375,000
6	Growth of 1.5% - Gallons Sold (in 1,000's)		1,522,500
7	Property Tax Recovered (Line 4 * Line 6)	$	406,000
8	Under/(Over) Recovery (Line 5 - Line 7)	$	(31,000)
9	Adjustment to Property Tax Adjustor Surcharge (Line 8 / Line 6)	$	(0.02)
	Year 2		
10	Property Tax Adjustor (Line 9)	**$**	**(0.02)**
11	Actual Property Tax Expense	$	450,000
12	Growth of 1.5% - Gallons Sold (in 1,000's)		1,545,338
13	Property Tax Recovered ([Line 3 + Line 10] * Line 12)	$	380,625
14	Under/(Over) Recovery (Line 11 - Line 13)	$	69,375
15	Adjustment to Property Tax Adjustor Surcharge (Line 14 / Line 12)	$	0.04
	Year 3		
16	Property Tax Adjustor (Line 10 + Line 15)	**$**	**0.02**
17	Actual Property Tax Expense	$	550,000
18	Growth of 1.5% - Gallons Sold (in 1,000's)		1,568,518
19	Property Tax Recovered ([Line 3 + Line 16] * Line 18)	$	456,750
20	Under/(Over) Recovery (Line 17 - Line 19)	$	93,250
21	Adjustment to Property Tax Adjustor Surcharge (Line 20 / Line 18)	$	0.06
	Year 4		
22	Property Tax Adjustor (Line 16 + Line 21)	**$**	**0.08**
23	Actual Property Tax Expense	$	700,000
24	Growth of 1.5% - Gallons Sold (in 1,000's)		1,592,045
25	Property Tax Recovered ([Line 3 + Line 22] * Line 24)	$	558,250
26	Under/(Over) Recovery (Line 23 - Line 25)	$	141,750
27	Adjustment to Property Tax Adjustor Surcharge (Line 26 / Line 24)	$	0.09
	Year 5		
28	Property Tax Adjustor (Line 22 + Line 27)	**$**	**0.17**

Moe

Rebuttal Exhibit 2

ORDINANCE NUMBER 05-05

AN ORDINANCE OF THE CITY OF MARICOPA, ARIZONA AMENDING SECTIONS 8-415, 8-416 AND 8-417 OF THE "TAX CODE OF THE CITY OF MARICOPA, ARIZONA" BY INCREASING THE TAX RATE ON CONSTRUCTION CONTRACTING FROM TWO PERCENT (2%) TO THREE AND ONE-HALF PERCENT (3.5%); CONFIRMING PENALTY FOR VIOLATIONS OF THIS AMENDMENT; AND ESTABLISHING AN ENACTMENT AND EFFECTIVE DATE THEREOF

WHEREAS, pursuant to Ordinance No. 03-03, the City of Maricopa previously adopted that certain document known and serving as the "Tax Code of the City of Maricopa, Arizona," based on the League of Arizona Cities and Towns Model Tax Code; and

WHEREAS, when adopting that Code, the City established an initial tax rate of two percent (2%) on construction contracting activity; and

WHEREAS, the Mayor and Council believe that increasing the privilege tax rate on construction contracting activities to three and one-half percent (3.5%) would be in the best interests of the City;

NOW THEREFORE, BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF MARICOPA, ARIZONA:

Section 1: That certain document known as the "Tax Code of the City of Maricopa, Arizona," adopted by Ordinance 03-03, is hereby amended by increasing the sales tax rate in each of the following Sections from two percent (2%) to three and one-half percent (3.5%):

Section 8-415	**Construction contracting: construction contractors**
Section 8-416	**Construction contracting: speculative builders**
Section 8-417	**Construction contracting: owner-builders who are not speculative builders**

Section 2: Any person found guilty of violating any provision of these amendments to the Tax Code of the City of Maricopa shall be guilty of a class one misdemeanor. Each day that a violation continues shall be a separate offense.

Section 3: If any section, subsection, sentence, clause, phrase or portion of this Ordinance or any part of the Code amended herein is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

Section 4: The provisions of this Ordinance and the increased tax rate enacted thereby shall be effective thirty days after adoption of this Ordinance.

Section 5: For purposes of applying Model Tax Code Regulation Section 415.3, the increased tax rate imposed by Section 1 of this Ordinance shall not apply to contracts entered into prior to the Effective Date of this Ordinance.

Passed and Adopted by the Mayor and the City Council of the City of Maricopa this 15th day of February, 2005.

APPROVED:

Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

Moe Rebuttal Schedules

Moe

Rebuttal Schedule

PVUC

Global Water - Palo Verde Utilities Company - Rebuttal Schedules Schedule A-1
Test Year Ended December 31, 2008
Computation of Increase in Gross Revenue Requirement

Line No.	DESCRIPTION	AS FILED Original Cost - As Filed	AS FILED Fair Value - As Filed	REBUTTAL Original Cost - Rebuttal	REBUTTAL Fair Value - Rebuttal
1	Adjusted Rate Base	$ 63,637,830	$ 63,637,830	$ 64,011,238	$ 64,011,238
2					
3	Adjusted Operating Income (Loss)	$ 144,516	$ 144,516	$ (83,236)	$ (83,236)
4					
5	Current Rate of Return (L3 / L1)	0.23%	0.23%	-0.13%	-0.13%
6					
7	Required Operating Income (L9 * L1)	$ 5,307,395	$ 5,307,395	$ 5,338,537	$ 5,338,537
8					
9	Required Rate of Return	8.34%	8.34%	8.34%	8.34%
10					
11	Operating Income Deficiency (L7 - L3)	$ 5,162,879	$ 5,162,879	$ 5,421,773	$ 5,421,773
12					
13	Gross Revenue Conversion Factor	1.645086	1.645086	1.652434	1.652434
14					
15	Increase in Gross Revenue Requirements	$ 8,493,379	$ 8,493,379	$ 8,959,124	$ 8,959,124
16					
17					
18					
19					
20					
21	Supporting Schedules:				
22	B-1				
23	C-1				
24	C-3				
25	H-1				
26					
27					
28					

Global Water - Palo Verde Utilities Company - Rebuttal Schedules Schedule B-1
Test Year Ended December 31, 2008
Summary of Fair Value Rate Base

Line No.		O.C. Rate Base - As Filed	Rebuttal Adjustments	O.C. Rate Base - Rebuttal
1	Plant in Service	$ 100,264,747	$ -	$ 100,264,747
2	Less: Accumulated Depreciation	(9,082,530)	373,408	(8,709,122)
3				
4	Net Plant in Service	$ 91,182,217	$ 373,408	$ 91,555,625
5				
6	LESS:			
7	Net CIAC	-	-	-
8	Advances in Aid of Construction (AIAC)	27,370,552	-	27,370,552
9	Customer Deposits	-	-	-
10	Deferred Income Tax Credits	173,835	-	173,835
11				
12	ADD:			
13	Unamortized Finance Charges	-	-	-
14	Deferred Tax Assets	-	-	-
15	Working Capital	-	-	-
16	Utility Plant Acquisition Adjustment	-	-	-
17				
18	Original Cost Rate Base	$ 63,637,830	$ 373,408	$ 64,011,238
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42	Supporting Schedules:		Recap Schedules:	
43	B-2		A-1	
44	B-3			
45	E-1			
46	B-5			
47				
48				

Global Water - Palo Verde Utilities Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Original Cost Rate Base Pro Forma Adjustments

Schdule B-2
Page 1 of 2

Line No.	Description	[A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Test Year - As Filed	[D] Rebuttal Adjustments ADJ #1	[E] Rebuttal Adjustments ADJ #2	[F] Rebuttal Adjustments ADJ #3	[G] Adjusted Test Year - Rebuttal
1	353 Land and Land Rights	$ 186,009	$ -	$ 186,009	$ -	$ -	$ -	$ 186,009
2	354 Structures and Improvements	16,520,426	-	16,520,426	-	-	-	16,520,426
3	355 Power Generation Equipment	321,425	-	321,425	-	-	-	321,425
4	360 Collection Sewers - Force	3,857,656	-	3,857,656	-	-	-	3,857,656
5	361 Collection Sewers - Gravity	47,344,470	-	47,344,470	-	-	-	47,344,470
6	363 Services to Customers	5,205,784	-	5,205,784	-	-	-	5,205,784
7	364 Flow Measuring Devices	23,636	-	23,636	-	-	-	23,636
8	370 Receiving Wells	1,940,450	-	1,940,450	-	-	-	1,940,450
9	371 Pumping Equipment	3,878,776	-	3,878,776	-	-	-	3,878,776
10	374 Reuse Distribution Reservoirs	11,043	-	11,043	-	-	-	11,043
11	375 Reuse Transmission and Distribution System	10,912,763	-	10,912,763	-	-	-	10,912,763
12	380 Treatment and Disposal Equipment	5,440,808	-	5,440,808	-	-	-	5,440,808
13	381 Plant Sewers	78,384	-	78,384	-	-	-	78,384
14	382 Outfall Sewer Lines	353,645	-	353,645	-	-	-	353,645
15	389 Other Plant and Miscellaneous Equipment	2,271,644	-	2,271,644	-	-	-	2,271,644
16	390 Office Furniture and Equipment	138,995	-	138,995	-	-	-	138,995
17	391 Transportation Equipment	165,404	-	165,404	-	-	-	165,404
18	393 Tools, Shop and Garage Equipment	100,819	-	100,819	-	-	-	100,819
19	394 Laboratory Equipment	36,073	-	36,073	-	-	-	36,073
20	395 Power Operated Equipment	10,320	-	10,320	-	-	-	10,320
21	396 Communication Equipment	38,289	-	38,289	-	-	-	38,289
22	397 Miscellaneous Equipment	359,170	-	359,170	-	-	-	359,170
23	398 Other Tangible Plant	1,068,758	-	1,068,758	-	-	-	1,068,758
24								
25	Total Plant in Service	$ 100,264,747	$ -	$ 100,264,747	$ -	$ -	$ -	$ 100,264,747
26	Less: Accumulated Depreciation	(9,082,530)	-	(9,082,530)	373,408	-	-	(8,709,122)
27	Net Plant in Service (L59 - L 60)	$ 91,182,217	$ -	$ 91,182,217	$ 373,408	$ -	$ -	$ 91,555,625
28								
29	LESS:							
30	Net Contributions in Aid of Construction (CIAC)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
31	Advances in Aid of Construction (AIAC)	27,370,552	-	27,370,552	-	-	-	27,370,552
32	Customer Meter Deposits	-	-	-	-	-	-	-
33	Deferred Income Tax Credits	173,835	-	173,835	-	-	-	173,835
34								
35	ADD:							
36	Unamortized Finance Charges	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	Deferred Tax Assets	-	-	-	-	-	-	-
38	Working Capital	-	-	-	-	-	-	-
39	Utility Plant Acquisition Adjustment	-	-	-	-	-	-	-
40								
41	**Original Cost Rate Base**	$ 63,637,830	$ -	$ 63,637,830	$ 373,408	$ -	$ -	$ 64,011,238
42								
43								
44	Supporting Schedules:				Recap Schedules:			
45	E-1				B-1			
46								

Global Water - Palo Verde Utilities Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Rate Base Adjustment - Acceptance of RUCO Rate Base Adjustment

Line No.		
1		
2	Accumulated Depreciation as Filed	$ (9,082,530)
3	RUCO Calculated Accum. Depr.	(8,709,122)
4		
5	Adjustment to Accum. Depr.	$ 373,408
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Global Water - Palo Verde Utilities Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Adjusted Test Year Income Statement

Schedule C-1

Line No.	DESCRIPTION	[A] Actual Test Year	[B] Pro Forma Adjustments - As Filed	[C] *Adjusted* Test Year - As Filed	[D] Rebuttal Adjustments	[E] *Adjusted* Test Year - Rebuttal	[F] *Proposed* Increase - Rebuttal	[G] Adjusted With Increase - Rebuttal
1	Revenues							
2	521 Flat Rate Revenues	$ 6,093,851	$ (84,104)	$ 6,009,748	$ 122,612	$ 6,132,359	$ 7,638,181	$ 13,770,540
3	536 Other Wastewater Revenues	339,704	-	339,704	-	339,704	373,375	713,079
4	541 Measured Reuse Revenues	171,749	-	171,749	-	171,749	947,568	1,119,317
5	Total Operating Revenues	$ 6,605,304	$ (84,104)	$ 6,521,201	$ 122,612	$ 6,643,812	$ 8,959,124	$ 15,602,936
6								
7	Operating Expenses							
8	701 Salary and Wages - Employees	$ 1,043,177	$ (118,324)	$ 924,853	$ (26,716)	$ 898,137	$ -	$ 898,137
9	704 Employee Pensions and Benefits	239,457	(23,665)	215,792	-	215,792	-	215,792
10	715 Purchased Power	534,930	60,227	595,157	6,639	601,796	-	601,796
11	716 Fuel for Power Production	7,004	-	7,004	-	7,004	-	7,004
12	718 Chemicals	160,011	(2,877)	157,134	2,877	160,011	-	160,011
13	720 Materials and Supplies	263,301	-	263,301	-	263,301	-	263,301
14	720.08 Materials and Supplies	295,301	-	295,301	-	295,301	-	295,301
15	734 Contractual Services - Management Fees	-	-	-	-	-	-	-
16	735 Contractual Services - Testing	99,923	-	99,923	-	99,923	-	99,923
17	736 Contractual Services - Other	183,283	-	183,283	-	183,283	-	183,283
18	741 Rental of Building/Real Property	93,111	-	93,111	-	93,111	-	93,111
19	742 Rental of Equipment	20,469	-	20,469	-	20,469	-	20,469
20	650 Transportation Expenses	35,559	-	35,559	-	35,559	-	35,559
21	757 Insurance - General Liability	52,375	-	52,375	-	52,375	-	52,375
22	759 Insurance - Other	4,320	-	4,320	-	4,320	-	4,320
23	760 Advertising Expense	256	(256)	-	-	-	-	-
24	767 Rate Case Expense	-	53,333	53,333	-	53,333	-	53,333
25	770 Bad Debt Expense	95,689	(30,477)	65,212	30,477	95,689	129,036	224,725
26	775 Miscellaneous Expenses	56,965	-	56,965	-	56,965	-	56,965
27	403 Depreciation Expense	2,898,923	257,752	3,156,675	-	3,156,675	-	3,156,675
28	408.10 Taxes Other Than Income - Utility Regulatory Asses	26,305	(25,049)	1,256	-	1,256	-	1,256
29	408.11 Taxes Other Than Income - Property Taxes	280,397	(280,397)	-	480,259	480,259	-	480,259
30	408.13 Taxes Other Than Income - Other Taxes and Licen	4,814	-	4,814	-	4,814	-	4,814
31	409 Income Taxes	89,215	1,633	90,848	(143,173)	(52,325)	3,408,315	3,355,990
32	Total Operating Expenses	$ 6,484,785	$ (108,100)	$ 6,376,685	$ 350,363	$ 6,727,048	$ 3,537,351	$ 10,264,399
33								
34	Utility Operating Income (Loss)	$ 120,519	$ 23,997	$ 144,516	$ (227,752)	$ (83,236)	$ 5,421,773	$ 5,338,537
35								
36	414 Gains (Losses) from Disp of Util Prop	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	419 Interest and Dividend Income	2,728	-	2,728	-	2,728	-	2,728
38	427 Interest Expense	-	-	-	-	-	-	-
39	Total Other Income and Deductions	$ 2,728	$ -	$ 2,728	$ -	$ 2,728	$ -	$ 2,728
40								
41	Net Income (Loss)	$ 123,247	$ 23,997	$ 147,244	$ (227,752)	$ (80,508)	$ 5,421,773	$ 5,341,265
42								
43								
44								
45								
46								
47								
48								
49	Supporting Schedules:					Recap Schedules:		
50	E-2					A-1		
51	C-2							

Global Water - Palo Verde Utilities Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Pro Forma Adjustments

Schedule C-2
Page 1 of 7

Line No.	DESCRIPTION	[A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Test Year - As Filed	[D] Rebuttal Adjustments ADJ #1	[E] ADJ #2	[F] ADJ #3	[G] ADJ #4	[H] ADJ #5	[I] ADJ #6	[J] Adjusted Test Year - Rebuttal
1	Revenues										
2	521 Flat Rate Revenues	$ 6,093,851	$ (84,104)	$ 6,009,748	$ 122,612	$ -	$ -	$ -	$ -	$ -	$ 6,132,359
3	536 Other Wastewater Revenues	339,704	-	339,704	-	-	-	-	-	-	339,704
4	541 Measured Reuse Revenues	171,749	-	171,749	-	-	-	-	-	-	171,749
5	Total Operating Revenues	$ 6,605,304	$ (84,104)	$ 6,521,201	$ 122,612	$ -	$ -	$ -	$ -	$ -	$ 6,643,812
6											
7	Operating Expenses										
8	701 Salary and Wages - Employees	$ 1,043,177	$ (118,324)	$ 924,853	$ -	$ (26,716)	$ -	$ -	$ -	$ -	$ 898,137
9	704 Employee Pensions and Benefits	239,457	(23,665)	215,792	-	-	-	-	-	-	215,792
10	715 Purchased Power	534,930	60,227	595,157	6,639	-	-	-	-	-	601,796
11	716 Fuel for Power Production	7,004	-	7,004	-	-	-	-	-	-	7,004
12	718 Chemicals	160,011	(2,877)	157,134	2,877	-	-	-	-	-	160,011
13	720 Materials and Supplies	263,301	-	263,301	-	-	-	-	-	-	263,301
14	720.08 Materials and Supplies	295,301	-	295,301	-	-	-	-	-	-	295,301
15	734 Contractual Services - Management Fees	-	-	-	-	-	-	-	-	-	-
16	735 Contractual Services - Testing	99,923	-	99,923	-	-	-	-	-	-	99,923
17	736 Contractual Services - Other	183,283	-	183,283	-	-	-	-	-	-	183,283
18	741 Rental of Building/Real Property	93,111	-	93,111	-	-	-	-	-	-	93,111
19	742 Rental of Equipment	20,469	-	20,469	-	-	-	-	-	-	20,469
20	650 Transportation Expenses	35,559	-	35,559	-	-	-	-	-	-	35,559
21	757 Insurance - General Liability	52,375	-	52,375	-	-	-	-	-	-	52,375
22	759 Insurance - Other	4,320	-	4,320	-	-	-	-	-	-	4,320
23	760 Advertising Expense	256	(256)	-	-	-	-	-	-	-	-
24	767 Rate Case Expense	-	53,333	53,333	-	-	-	-	-	-	53,333
25	770 Bad Debt Expense	95,689	(30,477)	65,212	-	-	-	30,477	-	-	95,689
26	775 Miscellaneous Expenses	56,965	-	56,965	-	-	-	-	-	-	56,965
27	403 Depreciation Expense	2,898,923	257,752	3,156,675	-	-	-	-	-	-	3,156,675
28	408.10 Taxes Other Than Income - Utility Regulatory Assessment Fe	26,305	(25,049)	1,256	-	-	-	-	-	-	1,256
29	408.11 Taxes Other Than Income - Property Taxes	280,397	(280,397)	-	-	-	-	-	480,259	-	480,259
30	408.13 Taxes Other Than Income - Other Taxes and Licenses	4,814	-	4,814	-	-	-	-	-	-	4,814
31	409 Income Taxes	89,215	1,633	90,848	-	-	-	-	-	(143,173)	(52,325)
32	Total Operating Expenses	$ 6,484,785	$ (108,100)	$ 6,376,685	$ 9,516	$ (26,716)	$ -	$ 30,477	$ 480,259	$ (143,173)	$ 6,727,048
33											
34	Operating Income (Loss)	$ 120,519	$ 23,997	$ 144,516	$ 113,096	$ 26,716	$ -	$ (30,477)	$ (480,259)	$ 143,173	$ (83,236)
35											
36	414 Gains (Losses) from Disposition of Utility Property	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	419 Interest and Dividend Income	2,728	-	2,728	-	-	-	-	-	-	2,728
38	427 Interest Expense	-	-	-	-	-	-	-	-	-	-
39	Total Other Income and Deductions	$ 2,728	$ -	$ 2,728	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,728
40											
41	Net Income (Loss)	$ 123,247	$ 23,997	$ 147,244	$ 113,096	$ 26,716	$ -	$ (30,477)	$ (480,259)	$ 143,173	$ (80,508)
42											
43											
44	Supporting Schedules:										
45	C-2										
46	E-2										

Global Water - Palo Verde Utilities Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 1
Remove Annualization Revenue & Expense to reflect End-of-Test Year Customer Counts

Line No.	Class of Service	[A] Average No. of Customers Per Bill Count Sch. H-2 Col. A	[B] Year-End Number of Customers	[C] Average Additional Customers [B - A]	[D] Change in Bills to be Issued	[E] Average Gallons Sold Per Customer	[F] Additional K Gallons To Be Sold	[G] Additional Revenues at Present Rates
1	5/8" Residential	1,719	1,664	(55)	(680)	Varies	(4,704)	$ 22,440
2	3/4" Residential	13,210	12,917	(293)	(3,512)	Varies	(21,613)	115,896
3	1" Residential	123	125	2	27	Varies	66	(2,228)
4	1.5" Residential	1	-	(1)	(5)	Varies	(11)	825
5	2" Residential	1	1	-	-	Varies	-	-
6	Subtotal Residential	15,054	14,707	(347)	(4,170)		(26,262)	$ 136,934
7								
8								
9	5/8" Commercial	4	4	-	-	Varies	-	$ -
10	3/4" Commercial	4	4	-	-	Varies	-	-
11	1" Commercial	17	16	(1)	(2)	Varies	(18)	165
12	1.5" Commercial	25	25	-	-	Varies	-	-
13	2" Commercial	35	39	4	58	Varies	4,287	(15,312)
14	3" Commercial	2	2	-	-	Varies	-	-
15	4" Commercial	2	1	(1)	(1)	Varies	(138)	825
16	Subtotal Commercial	89	91	2	55		4,131	$ (14,322)
17								
18	Totals	15,143	14,798	(345)	(4,115)		(22,130)	$ 122,612
19								
20								
21								

Line No.	Class of Expense	Average Cost Per K Gallons Sold Per Sch. E-7	Additional K Gallons To Be Sold	Additional Cost From Customer Growth
22				
23				
24				
25				
26				
27	Pumping	$ 0.30	(22,130)	$ 6,639
28	Water Treatment	0.13	(22,130)	2,877
29				
30	Totals			$ 9,516
31				
32				

33 *Gallons avoided water customers used to estimate wastewater pumping and treatment savings.

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Global Water - Palo Verde Utilities Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 2
Adjust Salaries and Wages to Account for Staff Adjustment 4

Line No.		
1	Staff Adjustment	$ 28,621
2	Removal of duplicate reduction	1,905
3	Adjustment to Salaries and Wages	$ (26,716)
4		
5		
6		
7	Adjustment to Salaries and Wages	$ (26,716)
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Global Water - Palo Verde Utilities Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 3
Adjustment to Purchased Power Expense

Line No.	
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Global Water - Palo Verde Utilities Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 4
Adjust Bad Debt Expense for Change in Revenue Levels

Line No.		
1	Bad Debt Expense - Test Year Actual	$ 95,689
2	Adjusted Test Year Revenues	6,643,812
3	Bad Debt Expense Rate	1.44%
4		
5	Adjustment to Bad Debt Expense - Remove Direct Adjustment	$ 30,477
6		
7		
8	Adjustment to Bad Debt Expense for Proposed Revenues	$ 129,036
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Global Water - Palo Verde Utilities Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 5
Adjustment to Property Tax

Line No.		Test Year As Adjusted	Proposed
1	Adjusted Test Year Revenues	$ 6,643,812	$ 6,643,812
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	13,287,624	$ 13,287,624
4	Proposed Revenue Requirement	6,643,812	$ 6,643,812
5	Subtotal (Line 4 + Line 5)	19,931,436	19,931,436
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	6,643,812	$ 6,643,812
8	*Department of Revenue Mutilplier*	2	2
9	Revenue Base Value (Line 7 * Line 8)	13,287,624	$ 13,287,624
10	Plus: 10% of CWIP -	1,778,334	1,778,334
11	Less: Net Book Value of Licensed Vehicles	65,257	$ 65,257
12	Full Cash Value (Line 9 + Line 10 - Line 11)	15,000,701	$ 15,000,701
13	Assessment Ratio	21.0%	21.0%
14	Assessment Value (Line 12 * Line 13)	3,150,147	$ 3,150,147
15	Composite Property Tax Rate	15.2456%	15.2456%
16			$ -
17	Test Year Adjusted Property Tax (Line 14 * Line 15) - Rebuttal	$ 480,259	
18	Company Proposed Property Tax - As Filed	-	
19			
20	Test Year Adjustment (Line 16-Line 17)	$ 480,259	
21	Property Tax - Recommended Revenue (Line 14 * Line 15)		$ 480,259
22	Test Year Adjusted Property Tax Expense (Line 16)		$ 480,259
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		$ -
24			
25	Increase to Property Tax Expense		$ -
26	Increase in Revenue Requirement		-
27	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		0.000000%
28			
29			
30	Adjustor Commodity Base Rate (Proposed Prop. Tax / Test Year Bills)		$ 2.64
31	At end of year, calculation is made to determine property tax collected using the commodity base rate		
32	multiplied by the year's number of bills. This equates to the property tax collected, Actual		
33	property tax divided by the year's number of bills is also calculated. The difference would		
34	be passed through to customers as the Property Tax Adjustor rate.		
35			
36			
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Global Water - Palo Verde Utilities Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 6
Adjust Income Taxes to Reflect Adjusted and Proposed Income Taxes

Line No.		Adjusted Test Year Results	Proposed Revenue Results
1			
2	Operating Income Before Income Taxes	$ (135,561)	$ 8,694,527
3	Synchronized Interest	-	-
4	Arizona Taxable Income	$ (135,561)	$ 8,694,527
5			
6	Arizona Income Tax (6.968%)	$ (9,446)	$ 605,835
7			
8	Federal Income Before Taxes	$ (135,561)	$ 8,694,527
9	Less Arizona Income Taxes	(9,446)	605,835
10	Federal Taxable Income	$ (126,115)	$ 8,088,693
11			
12	Federal Income Tax (34% Tax Bracket)	$ (42,879)	$ 2,750,156
13			
14	Total Income Tax	$ (52,325)	$ 3,355,990
15			
16	Tax Rate	38.5989%	38.5989%
17			
18	Effective Income Tax Rates		
19	State	6.9680%	6.9680%
20	Federal	31.6309%	31.6309%
21			
22			
23	Adjusted Test Year Income Taxes as Filed (Sch. C-2, Line 31)	$ 90,848	
24	Increase/(Decrease) to Income Taxes - Adjusted	$ (143,173)	
25			
26	Test Year Income Taxes - Adjusted		$ (52,325)
27			
28	Increase/(Decrease) to Proposed Income Taxes		$ 3,408,315
29			
30			
31	*Calculation of Interest Synchronization:*		
32	Rate Base (Sch. B-1)		$ 64,011,238
33	Weighted Average Cost of Debt (Sch. D-1)		0.00%
34	Synchronized Interest (L32 X L33)		$ -
35			
36			
37			
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39			
40			

Global Water - Palo Verde Utilities Company - Rebuttal Schedules Schedule C-3
Test Year Ended December 31, 2008
Computation of Gross Conversion Factor

Line No.				Percentage of Incremental Gross Revenues
1	Revenue			100.0000%
2	Uncollecible Factor (L14)			0.8843%
3	Revenues (L1 - L2)			99.1157%
4	Combined Federal and State Income Tax			38.5989%
5	Subtotal (L3 - L4)			60.5168%
6	**Revenue Conversion Factor (L1 / L5)**			**1.652434**
7				
8				
9	Calculation of Uncollectible Factor:			
10	Revenue			100.0000%
11	Combined Federal and State Tax Rate (L23)			38.5989%
12	One Minus Combined Income Tax Rate (L10 - L11)			61.4011%
13	Uncollectible Rate			1.4403%
14	Uncollectible Factor (L12 x L13)			0.8843%
15				
16	Calculation of Effective Tax Rate:			
17	Property Tax Rate Factor		0.0000%	
18	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
19	Property Tax Rate Factor	0.0000%		
20	Federal and State Taxable Income (L18 - L19)	100.0000%		
21	Applicable Federal and State Income Tax Rate	38.5989%		
22	Effective Federal Income Tax Rate (L20 x L21)		38.5989%	
23	Combined Federal and State Income Tax Rate (L17 +L22)			38.5989%
24				
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Moe

Rebuttal Schedule

SCWC

Global Water - Santa Cruz Water Company - Rebuttal Schedules Schedule A-1
Test Year Ended December 31, 2008
Computation of Increase in Gross Revenue Requirement

Line No.	DESCRIPTION	AS FILED Original Cost - As Filed	AS FILED Fair Value - As Filed	REBUTTAL Original Cost - Rebuttal	REBUTTAL Fair Value - Rebuttal
1	Adjusted Rate Base	$ 45,260,919	$ 45,260,919	$ 45,902,454	$ 45,902,454
2					
3	Adjusted Operating Income (Loss)	$ 1,969,624	$ 1,969,624	$ 1,753,427	$ 1,753,427
4					
5	Current Rate of Return (L3 / L1)	4.35%	4.35%	3.82%	3.82%
6					
7	Required Operating Income (L9 * L1)	$ 3,842,652	$ 3,842,652	$ 3,897,118	$ 3,897,118
8					
9	Required Rate of Return	8.49%	8.49%	8.49%	8.49%
10					
11	Operating Income Deficiency (L7 - L3)	$ 1,873,028	$ 1,873,028	$ 2,143,691	$ 2,143,691
12					
13	Gross Revenue Conversion Factor	1.645086	1.645086	1.643736	1.643736
14					
15	Increase in Gross Revenue Requirements	$ 3,081,292	$ 3,081,292	$ 3,523,663	$ 3,523,663
16					
17					
18					
19					
20					
21	Supporting Schedules:				
22	B-1				
23	C-1				
24	C-3				
25	H-1				

Global Water - Santa Cruz Water Company - Rebuttal Schedules Schedule B-1
Test Year Ended December 31, 2008
Summary of Fair Value Rate Base

Line No.		O.C. Rate Base - As Filed	Rebuttal Adjustments	O.C. Rate Base - Rebuttal
1	Plant in Service	$ 87,753,403	$ -	$ 87,753,403
2	Less: Accumulated Depreciation	(8,092,185)	641,535	(7,450,650)
3				
4	Net Plant in Service	$ 79,661,218	$ 641,535	$ 80,302,753
5				
6	LESS:			
7	Net CIAC	-	-	-
8	Advances in Aid of Construction (AIAC)	33,770,450	-	33,770,450
9	Customer Deposits	1,136,087	-	1,136,087
10	Deferred Income Tax Credits	-	-	-
11				
12	ADD:			
13	Unamortized Finance Charges	-	-	-
14	Deferred Tax Assets	506,238	-	506,238
15	Working Capital	-	-	-
16	Utility Plant Acquisition Adjustment	-	-	-
17				
18	Original Cost Rate Base	$ 45,260,919	$ 45,260,919	$ 45,902,454
19				
20				
21	Note: The Company is not requesting an RCND calculation.			
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42	Supporting Schedules:		Recap Schedules:	
43	B-2		A-1	
44	B-3			
45	E-1			
46	B-5			
47				
48				

Global Water - Santa Cruz Water Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Original Cost Rate Base Pro Forma Adjustments

Schdule B-2
Page 1 of 2

Line No.	Description	[A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Test Year As Filed	[D]	[E]	[F]	[G] Rebuttal Adjustments	[H]	[I]	[J]	[K] Adjusted Test Year - Rebuttal
					ADJ #1	ADJ #2	ADJ #3	ADJ #4	ADJ #5	ADJ #6	ADJ #7	
1	303 Land and Land Rights	$ 44,856	$ -	$ 44,856	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 44,856
2	304 Structures and Improvements	9,447,338	-	9,447,338	-	-	-	-	-	-	-	9,447,338
3	306 Lake, River and Other Intakes	1,855	-	1,855	-	-	-	-	-	-	-	1,855
4	307 Wells and Springs	3,694,926	-	3,694,926	-	-	-	-	-	-	-	3,694,926
5	309 Supply Mains	2,086,246	-	2,086,246	-	-	-	-	-	-	-	2,086,246
6	310 Power Generation Equipment	323,093	-	323,093	-	-	-	-	-	-	-	323,093
7	311 Pumping Equipment	6,353,511	-	6,353,511	-	-	-	-	-	-	-	6,353,511
8	320 Water Treatment Equipment	12,554	-	12,554	-	-	-	-	-	-	-	12,554
9	330 Distribution Reservoirs and Standpipes	1,367,063	-	1,367,063	-	-	-	-	-	-	-	1,367,063
10	331 Transmission and Distribution Mains	44,443,414	-	44,443,414	-	-	-	-	-	-	-	44,443,414
11	333 Services	4,598,396	-	4,598,396	-	-	-	-	-	-	-	4,598,396
12	334 Meters and Meter Installations	3,553,579	-	3,553,579	-	-	-	-	-	-	-	3,553,579
13	335 Hydrants	4,340,566	-	4,340,566	-	-	-	-	-	-	-	4,340,566
14	336 Backflow Prevention Devices	26,572	-	26,572	-	-	-	-	-	-	-	26,572
15	339 Other Plant and Miscellaneous Equipment	695,109	-	695,109	-	-	-	-	-	-	-	695,109
16	340 Office Furniture and Equipment	504,424	-	504,424	-	-	-	-	-	-	-	504,424
17	341 Transportation Equipment	596,576	-	596,576	-	-	-	-	-	-	-	596,576
18	343 Tools, Shop and Garage Equipment	65,276	-	65,276	-	-	-	-	-	-	-	65,276
19	344 Laboratory Equipment	107,172	-	107,172	-	-	-	-	-	-	-	107,172
20	345 Power Operated Equipment	60,372	-	60,372	-	-	-	-	-	-	-	60,372
21	346 Communication Equipment	565,936	-	565,936	-	-	-	-	-	-	-	565,936
22	347 Miscellaneous Equipment	80,859	-	80,859	-	-	-	-	-	-	-	80,859
23	348 Other Tangible Plant	4,783,710	-	4,783,710	-	-	-	-	-	-	-	4,783,710
24												
25	Total Plant in Service	$ 87,753,403	$ -	$ 87,753,403	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 87,753,403
26	Less: Accumulated Depreciation	(8,092,185)	-	(8,092,185)	641,535	-	-	-	-	-	-	(7,450,650)
27	Net Plant in Service (L59 - L 60)	$ 79,661,218	$ -	$ 79,661,218	$ 641,535	$ -	$ -	$ -	$ -	$ -	$ -	$ 80,302,753
28												
29	LESS:											
30	Net Contributions in Aid of Construction (CIAC)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
31	Advances in Aid of Construction (AIAC)	33,770,450	-	33,770,450	-	-	-	-	-	-	-	33,770,450
32	Customer Meter Deposits	1,136,087	-	1,136,087	-	-	-	-	-	-	-	1,136,087
33	Deferred Income Tax Credits	-	-	-	-	-	-	-	-	-	-	-
34												
35	ADD:											
36	Unamortized Finance Charges	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	Deferred Tax Assets	506,238	-	506,238	-	-	-	-	-	-	-	506,238
38	Working Capital	-	-	-	-	-	-	-	-	-	-	-
39	Utility Plant Acquisition Adjustment	-	-	-	-	-	-	-	-	-	-	-
40												
41	**Original Cost Rate Base**	$ 45,260,919	$ 45,260,919	$ 45,260,919	$ 641,535	$ -	$ -	$ -	$ -	$ -	$ -	$ 45,902,454
42												
43												
44	Supporting Schedules:					Recap Schedules:						
45	E-1					B-1						
46												

Global Water - Santa Cruz Water Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Rate Base Adjustment - Acceptance of RUCO Rate Base Adjustment

Line No.		
1		
2	Accumulated Depreciation as Filed	$ (8,092,185)
3	RUCO Calculated Accum. Depr.	(7,450,650)
4		
5	Adjustment to Accum. Depr.	$ 641,535
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Global Water - Santa Cruz Water Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Adjusted Test Year Income Statement

Schedule C-1

LINE NO.	DESCRIPTION	[A] Actual Test Year	[B] Pro Forma Adjustments - As Filed	[C] Adjusted Test Year - As Filed	[D] Rebuttal Adjustments	[E] Adjusted Test Year - Rebuttal	[F] Proposed Increase - Rebuttal	[G] Adjusted With Increase - Rebuttal
1	Revenues							
2	Metered Water Sales	$ 8,941,756	$ (196,982)	$ 8,744,774	$ 299,141	$ 9,043,916	$ 3,137,458	$ 12,181,373
3	Water Sales - Unmetered	-	-	-	-	-	-	-
4	Other Operating Revenue	511,684	(145,739)	365,946	-	365,946	386,205	752,151
5	Total Operating Revenues	$ 9,453,440	$ (342,720)	$ 9,110,720	$ 299,141	$ 9,409,861	$ 3,523,663	$ 12,933,524
6								
7	Operating Expenses							
8	601 Salary and Wages - Employees	$ 899,375	$ (118,324)	$ 781,051	$ (36,448)	$ 744,603	$ -	$ 744,603
9	604 Employee Pensions and Benefits	213,648	(23,665)	189,983	-	189,983	-	189,983
10	610 Purchased Water	-	-	-	-	-	-	-
11	615 Purchased Power	507,556	46,842	554,398	16,603	571,001	-	571,001
12	616 Fuel for Power Production	3,505	-	3,505	-	3,505	-	3,505
13	618 Chemicals	41,783	(1,328)	40,455	1,328	41,783	-	41,783
14	620 Materials and Supplies	18,969	-	18,969	-	18,969	-	18,969
15	620.08 Materials and Supplies	297,033	-	297,033	-	297,033	-	297,033
16	635 Contractual Services - Testing	36,113	-	36,113	-	36,113	-	36,113
17	636 Contractual Services - Other	67,911	-	67,911	-	67,911	-	67,911
18	641 Rental of Building/Real Property	94,369	-	94,369	-	94,369	-	94,369
19	642 Rental of Equipment	7,803	-	7,803	-	7,803	-	7,803
20	650 Transportation Expenses	45,296	-	45,296	-	45,296	-	45,296
21	657 Insurance - General Liability	53,083	-	53,083	-	53,083	-	53,083
22	659 Insurance - Other	4,647	-	4,647	-	4,647	-	4,647
23	660 Advertising Expense	1,825	(1,825)	-	-	-	-	-
24	667 Rate Case Expense	-	53,333	53,333	-	53,333	-	53,333
25	670 Bad Debt Expense	86,450	4,657	91,107	(4,657)	86,450	32,372	118,822
26	675 Miscellaneous Expenses	34,629	-	34,629	-	34,629	-	34,629
27	403 Depreciation Expense	3,431,687	74,798	3,506,485	-	3,506,485	-	3,506,485
28	408 Taxes Other Than Income	69,007	(53,078)	15,929	-	15,929	-	15,929
29	408.11 Taxes Other Than Income - Property Taxes	423,523	(423,523)	-	674,421	674,421	-	674,421
30	408.13 Taxes Other Than Income - Other Taxes and	6,823	-	6,823	-	6,823	-	6,823
31	409 Income Taxes	924,207	313,967	1,238,174	(135,909)	1,102,265	1,347,599	2,449,864
32	Total Operating Expenses	$ 7,269,242	$ (128,146)	$ 7,141,096	$ 515,338	$ 7,656,434	$ 1,379,971	$ 9,036,405
33								
34	Utility Operating Income (Loss)	$ 2,184,198	$ (214,574)	$ 1,969,624	$ (216,197)	$ 1,753,427	$ 2,143,691	$ 3,897,118
35								
36	414 Gains (Losses) from Disp of Util Prop	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	419 Interest and Dividend Income	-	-	-	-	-	-	-
38	427 Interest Expense	(62,121)	-	(62,121)	-	(62,121)	-	(62,121)
39	Total Other Income and Deductions	$ (62,121)	$ -	$ (62,121)	$ -	$ (62,121)	$ -	$ (62,121)
40								
41	Net Income (Loss)	$ 2,122,077	$ (214,574)	$ 1,907,503	$ (216,197)	$ 1,691,306	$ 2,143,691	$ 3,834,997
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49	Supporting Schedules:					Recap Schedules:		
50	E-2					A-1		
51	C-2							
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Global Water - Santa Cruz Water Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Pro Forma Adjustments

Line No.	DESCRIPTION	[A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Test Year - As Filed	[D]	[E]	[F]	[G]	[H]	[I]	[J] Adjusted Test Year - Rebuttal
					Rebuttal Adjustments						
1	Revenues										
2	Metered Water Sales	$ 8,941,756	$ (196,982)	$ 8,744,774	$ 299,141	$ -	$ -	$ -	$ -	$ -	$ 9,043,916
3	Water Sales - Unmetered	-	-	-	-	-	-	-	-	-	-
4	Other Operating Revenue	511,684	(145,739)	365,946	-	-	-	-	-	-	365,946
5	Total Operating Revenues	$ 9,453,440	$ (342,720)	$ 9,110,720	$ 299,141	$ -	$ -	$ -	$ -	$ -	$ 9,409,861
6											
7	Operating Expenses										
8	601 Salary and Wages - Employees	$ 899,375	$ (118,324)	$ 781,051	$ -	$ (36,448)	$ -	$ -	$ -	$ -	$ 744,603
9	604 Employee Pensions and Benefits	213,648	(23,665)	189,983	-	-	-	-	-	-	189,983
10	610 Purchased Water	-	-	-	-	-	-	-	-	-	-
11	615 Purchased Power	507,556	46,842	554,398	16,603	-	-	-	-	-	571,001
12	616 Fuel for Power Production	3,505	-	3,505	-	-	-	-	-	-	3,505
13	618 Chemicals	41,783	(1,328)	40,455	1,328	-	-	-	-	-	41,783
14	620 Materials and Supplies	18,969	-	18,969	-	-	-	-	-	-	18,969
15	620.08 Materials and Supplies	297,033	-	297,033	-	-	-	-	-	-	297,033
16	635 Contractual Services - Testing	36,113	-	36,113	-	-	-	-	-	-	36,113
17	636 Contractual Services - Other	67,911	-	67,911	-	-	-	-	-	-	67,911
18	641 Rental of Building/Real Property	94,369	-	94,369	-	-	-	-	-	-	94,369
19	642 Rental of Equipment	7,803	-	7,803	-	-	-	-	-	-	7,803
20	650 Transportation Expenses	45,296	-	45,296	-	-	-	-	-	-	45,296
21	657 Insurance - General Liability	53,083	-	53,083	-	-	-	-	-	-	53,083
22	659 Insurance - Other	4,647	-	4,647	-	-	-	-	-	-	4,647
23	660 Advertising Expense	1,825	(1,825)	-	-	-	-	-	-	-	-
24	667 Rate Case Expense	-	53,333	53,333	-	-	-	-	-	-	53,333
25	670 Bad Debt Expense	86,450	4,657	91,107	-	-	-	(4,657)	-	-	86,450
26	675 Miscellaneous Expenses	34,629	-	34,629	-	-	-	-	-	-	34,629
27	403 Depreciation Expense	3,431,687	74,798	3,506,485	-	-	-	-	-	-	3,506,485
28	408 Taxes Other Than Income	69,007	(53,078)	15,929	-	-	-	-	-	-	15,929
29	408.11 Taxes Other Than Income - Property Taxes	423,523	(423,523)	-	-	-	-	-	674,421	-	674,421
30	408.13 Taxes Other Than Income - Other Taxes and Licenses	6,823	-	6,823	-	-	-	-	-	-	6,823
31	409 Income Taxes	924,207	313,967	1,238,174	-	-	-	-	-	(135,909)	1,102,265
32	Total Operating Expenses	$ 7,269,242	$ (128,146)	$ 7,141,096	$ 17,931	$ (36,448)	$ -	$ (4,657)	$ 674,421	$ (135,909)	$ 7,656,434
33											
34	Operating Income (Loss)	$ 2,184,198	$ (214,574)	$ 1,969,624	$ 281,210	$ 36,448	$ -	$ 4,657	$ (674,421)	$ 135,909	$ 1,753,427
35											
36	414 Gains (Losses) from Disposition of Utility Property	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	419 Interest and Dividend Income	-	-	-	-	-	-	-	-	-	-
38	427 Interest Expense	(62,121)	-	(62,121)	-	-	-	-	-	-	(62,121)
39	Total Other Income and Deductions	$ (62,121)	$ -	$ (62,121)	$ -	$ -	$ -	$ -	$ -	$ -	$ (62,121)
40											
41	Net Income (Loss)	$ 2,122,077	$ (214,574)	$ 1,907,503	$ 281,210	$ 36,448	$ -	$ 4,657	$ (674,421)	$ 135,909	$ 1,691,306
42											
43											
44	Supporting Schedules:										
45	C-2										
46	E-2										

Global Water - Santa Cruz Water Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 1
Remove Annualization Revenue & Expense to reflect End-of-Test Year Cutomer Counts

Line No.	Class of Service	[A] Average No. of Customers Per Bill Count *Sch. H-2 Col. A*	[B] Year-End Number of Customers	[C] Average Additional Customers *[B - A]*	[D] Change in Bills to be Issued	[E] Average Gallons Sold *Per Customer*	[F] Additional K Gallons *To Be Sold*	[G] Additional Revenues at *Present Rates*
1	5/8" Residential	1,719	1,664	(55)	(680)	Varies	(4,704)	$ 27,462
2	3/4" Residential	13,210	12,917	(293)	(3,512)	Varies	(21,613)	134,863
3	1" Residential	123	125	2	27	Varies	68	(1,789)
4	1.5" Residential	1	-	(1)	(5)	Varies	(11)	642
5	2" Residential	1	1	-	-	Varies	-	-
6	Subtotal Residential	15,054	14,707	(347)	(4,170)		(26,262)	$ 161,178
7								
8								
9	5/8" Commercial	4	4	-	-	Varies	-	$ -
10	3/4" Commercial	4	4	-	-	Varies	-	-
11	1" Commercial	17	16	(1)	(2)	Varies	(18)	167
12	1.5" Commercial	25	25	-	-	Varies	-	-
13	2" Commercial	35	39	4	58	Varies	4,287	(22,596)
14	3" Commercial	2	2	-	-	Varies	-	-
15	4" Commercial	2	1	(1)	(1)	Varies	(138)	981
16	Subtotal Commercial	89	91	2	55		4,131	$ (21,448)
17								
18	2" Construction	42	-	(42)	(499)	Varies	(38,393)	$ 138,215
19	3" Construction	3	-	(3)	(26)	Varies	(591)	2,128
20	4" Construction	1	-	(1)	(5)	Varies	(167)	601
21	8" Construction	1	-	(1)	(9)	Varies	(5,130)	18,468
22	Subtotal Construction	47	-	(47)			(44,281)	$ 159,412
23								
24	Totals	15,190	14,798	(392)	(4,115)		(66,411)	$ 299,141
25								
26								
27								

Class of Expense	Average Cost Per Gallons Sold Per Sch. E-7	Additional K Gallons To Be Sold	Additional Cost From Customer Growth
Pumping	$ 0.25	(66,411)	$ 16,603
Water Treatment	0.02	(66,411)	1,328
Totals			$ 17,931

Global Water - Santa Cruz Water Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 2
Adjust Salaries and Wages to Account for Staff Adjustment 4

Line No.		
1	Staff Adjustment	$ 38,353
2	Removal of duplicate reduction	1,905
3	Adjustment to Salaries and Wages	$ (36,448)
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5		
6		
7	Adjustment to Salaries and Wages	$ (36,448)
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Global Water - Santa Cruz Water Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 3
Adjustment to Purchased Power Expense

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Global Water - Santa Cruz Water Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 4
Adjust Bad Debt Expense for Change in Revenue Levels

Line No.		
1	Bad Debt Expense - Test Year Actual	$ 86,450
2	Adjusted Test Year Revenues	9,409,861
3	Bad Debt Expense Rate	0.92%
4		
5	Adjustment to Bad Debt Expense - Remove Direct Adjustment	$ (4,657)
6		
7		
8	Adjustment to Bad Debt Expense for Proposed Revenues	$ 32,372
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Global Water - Santa Cruz Water Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 5
Adjustment to Property Tax

Line No.		Test Year As Adjusted	Proposed
1	Adjusted Test Year Revenues	$ 9,409,861	$ 9,409,861
2	*Weight Factor*	2	2
3	Subtotal (Line 1 * Line 2)	18,819,722	$ 18,819,722
4	Proposed Revenue Requirement	9,409,861	$ 9,409,861
5	Subtotal (Line 4 + Line 5)	28,229,583	28,229,583
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	9,409,861	$ 9,409,861
8	*Department of Revenue Mutilplier*	2	2
9	Revenue Base Value (Line 7 * Line 8)	18,819,722	$ 18,819,722
10	Plus: 10% of CWIP -	2,545,207	2,545,207
11	Less: Net Book Value of Licensed Vehicles	299,641	$ 299,641
12	Full Cash Value (Line 9 + Line 10 - Line 11)	21,065,288	$ 21,065,288
13	Assessment Ratio	21.0%	21.0%
14	Assessment Value (Line 12 * Line 13)	4,423,711	$ 4,423,711
15	Composite Property Tax Rate	15.2456%	15.2456%
16			$ -
17	Test Year Adjusted Property Tax (Line 14 * Line 15) - Rebuttal	$ 674,421	
18	Company Proposed Property Tax - As Filed	-	
19			
20	Test Year Adjustment (Line 16-Line 17)	$ 674,421	
21	Property Tax - Recommended Revenue (Line 14 * Line 15)		$ 674,421
22	Test Year Adjusted Property Tax Expense (Line 16)		$ 674,421
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		$ -
24			
25	Increase to Property Tax Expense		$ -
26	Increase in Revenue Requirement		-
27	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		0.000000%
28			
29			
30	Adjustor Commodity Base Rate (Proposed Prop. Tax / Test Year Gallons Sold x 1,000)		$ 0.33
31	At end of year, calculation is made to determine property tax collected using the commodity base rate		
32	multiplied by the year's gallons sold/1,000. This equates to the property tax collected, Actual		
33	property tax divided by the year's gallons sold/1,000 is also calculated. The difference would		
34	be passed through to customers as the Property Tax Adjustor rate.		
35			
36			
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Global Water - Santa Cruz Water Company - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 6
Adjust Income Taxes to Reflect Adjusted and Proposed Income Taxes

Line No.		Adjusted Test Year Results	Proposed Revenue Results
1			
2	Operating Income Before Income Taxes	$ 2,855,692	$ 6,346,983
3	Synchronized Interest	-	-
4	Arizona Taxable Income	$ 2,855,692	$ 6,346,983
5			
6	Arizona Income Tax (6.968%)	$ 198,985	$ 442,258
7			
8	Federal Income Before Taxes	$ 2,855,692	$ 6,346,983
9	Less Arizona Income Taxes	198,985	442,258
10	Federal Taxable Income	$ 2,656,708	$ 5,904,725
11			
12	Federal Income Tax (34% Tax Bracket)	$ 903,281	$ 2,007,606
13			
14	Total Income Tax	$ 1,102,265	$ 2,449,864
15			
16	Tax Rate	38.5989%	38.5989%
17			
18	Effective Income Tax Rates		
19	State	6.9680%	6.9680%
20	Federal	31.6309%	31.6309%
21			
22			
23	Test Year Income Taxes (Sch. C-2, Line 31)	$ 1,238,174	
24	Increase/(Decrease) to Income Taxes - Adjusted	$ (135,909)	
25			
26	Test Year Income Taxes - Adjusted		$ 1,102,265
27			
28	Increase/(Decrease) to Proposed Income Taxes		$ 1,347,599
29			
30			
31	*Calculation of Interest Synchronization:*		
32	Rate Base (Sch. B-1)		$ 45,902,454
33	Weighted Average Cost of Debt (Sch. D-1)		0.00%
34	Synchronized Interest (L32 X L33)		$ -
35			
36			
37			
38			
39			
40			

Global Water - Santa Cruz Water Company - Rebuttal Schedules Schedule C-3
Test Year Ended December 31, 2008
Computation of Gross Conversion Factor

Line No.				Percentage of Incremental Gross Revenues
1	Revenue			100.0000%
2	Uncollecible Factor (L14)			0.5641%
3	Revenues (L1 - L2)			99.4359%
4	Combined Federal and State Income Tax			38.5989%
5	Subtotal (L3 - L4)			60.8370%
6	**Revenue Conversion Factor (L1 / L5)**			**1.643736**
7				
8				
9	Calculation of Uncollectible Factor:			
10	Revenue			100.0000%
11	Combined Federal and State Tax Rate (L23)			38.5989%
12	One Minus Combined Income Tax Rate (L10 - L11)			61.4011%
13	Uncollectible Rate			0.9187%
14	Uncollectible Factor (L12 x L13)			0.5641%
15				
16	Calculation of Effective Tax Rate:			
17	Arizona State Income Tax Rate		6.9680%	
18	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
19	Arizona State Income Tax Rate	6.9680%		
20	Federal Taxable Income (L18 - L19)	93.0320%		
21	Applicable Federal Income Tax Rate	34.0000%		
22	Effective Federal Income Tax Rate (L20 x L21)		31.6309%	
23	Combined Federal and State Income Tax Rate (L17 +L22)			38.5989%
24				
25				
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Rebuttal Schedule

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Valencia Water Company, Town Division - Rebuttal Schedules Schedule A-1
Test Year Ended December 31, 2008
Computation of Increase in Gross Revenue Requirement

Line No.	DESCRIPTION	AS FILED Original Cost - As Filed	AS FILED Fair Value - As Filed	REBUTTAL Original Cost - Rebuttal	REBUTTAL Fair Value - Rebuttal
1	Adjusted Rate Base	$ 4,240,018	$ 4,240,018	$ 4,443,607	$ 4,443,607
2					
3	Adjusted Operating Income (Loss)	$ (601,943)	$ (601,943)	$ (591,229)	$ (591,229)
4					
5	Current Rate of Return (L3 / L1)	-14.20%	-14.20%	-13.31%	-13.31%
6					
7	Required Operating Income (L9 * L1)	$ 405,346	$ 405,346	$ 384,372	$ 384,372
8					
9	Required Rate of Return	9.56%	9.56%	8.65%	8.65%
10					
11	Operating Income Deficiency (L7 - L3)	$ 1,007,289	$ 1,007,289	$ 975,601	$ 975,601
12					
13	Gross Revenue Conversion Factor	1.645086	1.645086	1.651965	1.651965
14					
15	Increase in Gross Revenue Requirements	$ 1,657,077	$ 1,657,077	$ 1,611,660	$ 1,611,660
16					
17					
18					
19					
20					
21	Supporting Schedules:				
22	B-1				
23	C-1				
24	C-3				
25	H-1				
26					
27					

Valencia Water Company, Town Division - Rebuttal Schedules Schedule B-1
Test Year Ended December 31, 2008
Summary of Fair Value Rate Base

Line No.		O.C. Rate Base - As Filed	Rebuttal Adjustments	O.C. Rate Base - Rebuttal
1	Plant in Service	$ 45,877,421	$ -	$ 45,877,421
2	Less: Accumulated Depreciation	(3,071,499)	203,589	(2,867,910)
3				
4	Net Plant in Service	$ 42,805,922	$ 203,589	$ 43,009,511
5				
6	LESS:			
7	Net CIAC	791,938	-	791,938
8	Advances in Aid of Construction (AIAC)	37,992,781	-	37,992,781
9	Customer Deposits	162,132	-	162,132
10	Deferred Income Tax Credits	-	-	-
11				
12	ADD:			
13	Unamortized Finance Charges	-	-	-
14	Deferred Tax Assets	380,947	-	380,947
15	Working Capital	-	-	-
16	Utility Plant Acquisition Adjustment	-	-	-
17				
18	Original Cost Rate Base	$ 4,240,018	$ 203,589	$ 4,443,607
19				
20				
21				
22				
23				
24				
25				
26				
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29				
30				
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33				
34				
35				
36				
37				
38				
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41				
42	Supporting Schedules:		Recap Schedules:	
43	B-2		A-1	
44	B-3			
45	E-1			
46	B-5			
47				
48				

Valencia Water Company, Town Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Original Cost Rate Base Pro Forma Adjustments

Schedule B-2
Page 1 of 2

Line No.	Description	[A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Test Year - As Filed	[D] ADJ #1	[E] ADJ #2	[F] ADJ #3	[G] ADJ #4	[H] ADJ #5	[I] ADJ #6	[J] ADJ #7	[K] Adjusted Test Year - Rebuttal
					Rebuttal Adjustments							
1	303 Land and Land Rights	$ 148,446	$ -	$ 148,446	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 148,446
2	304 Structures and Improvements	945,383	-	945,383	-	-	-	-	-	-	-	945,383
3	306 Lake, River and Other Intakes	-	-	-	-	-	-	-	-	-	-	-
4	307 Wells and Springs	775,544	-	775,544	-	-	-	-	-	-	-	775,544
5	309 Supply Mains	-	-	-	-	-	-	-	-	-	-	-
6	310 Power Generation Equipment	20,612	-	20,612	-	-	-	-		-	-	20,612
7	311 Pumping Equipment	7,803,214	-	7,803,214	-	-	-	-	-	-	-	7,803,214
8	320 Water Treatment Equipment	3,892,532	-	3,892,532	-	-	-	-	-	-	-	3,892,532
9	330 Distribution Reservoirs ad Standpipes	3,439,680	-	3,439,680	-	-	-	-	-	-	-	3,439,680
10	331 Transmission and Distribution Mains	19,407,008	-	19,407,008	-	-	-	-	-	-	-	19,407,008
11	333 Services	2,795,075	-	2,795,075	-	-	-	-	-	-	-	2,795,075
12	334 Meters and Meter Installations	1,562,332	-	1,562,332	-	-	-	-	-	-	-	1,562,332
13	335 Hydrants	1,900,270	-	1,900,270	-	-	-	-	-	-	-	1,900,270
14	336 Backflow Prevention Devices	12,674	-	12,674	-	-	-	-	-	-	-	12,674
15	339 Other Plant and Miscellaneous Equipment	114,439	-	114,439	-	-	-	-	-	-	-	114,439
16	340 Office Furniture and Equipment	46,206	-	46,206	-	-	-	-	-	-	-	46,206
17	341 Transportation Equipment	275,038	-	275,038	-	-	-	-	-	-	-	275,038
18	343 Tools, Shop and Garage Equipment	90,582	-	90,582	-	-	-	-	-	-	-	90,582
19	344 Laboratory Equipment	42,171	-	42,171	-	-	-	-	-	-	-	42,171
20	345 Power Operated Equipment	55,588	-	55,588	-	-	-	-	-	-	-	55,588
21	346 Communication Equipment	20,584	-	20,584	-	-	-	-	-	-	-	20,584
22	347 Miscellaneous Equipment	15,371	-	15,371	-	-	-	-	-	-	-	15,371
23	348 Other Tangible Plant	2,514,672	-	2,514,672	-	-	-	-	-	-	-	2,514,672
24												
25	Total Plant in Service	$ 45,877,421	$ -	$ 45,877,421	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 45,877,421
26	Less: Accumulated Depreciation	(3,071,499)	-	(3,071,499)	203,589	-	-	-	-	-	-	(2,867,910)
27	Net Plant in Service (L59 - L 60)	$ 42,805,922	$ -	$ 42,805,922	$ 203,589	$ -	$ -	$ -	$ -	$ -	$ -	$ 43,009,511
28												
29	LESS:											
30	Net Contributions in Aid of Construction (CIAC)	$ 791,938	$ -	$ 791,938	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 791,938
31	Advances in Aid of Construction (AIAC)	37,992,781	-	37,992,781	-	-	-	-	-	-	-	37,992,781
32	Customer Meter Deposits	162,132	-	162,132	-	-	-	-	-	-	-	162,132
33	Deferred Income Tax Credits	-	-	-	-	-	-	-	-	-	-	-
34												
35	ADD:											
36	Unamortized Finance Charges	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	Deferred Tax Assets	380,947	-	380,947	-	-	-	-	-	-	-	380,947
38	Working Capital	-	-	-	-	-	-	-	-	-	-	-
39	Utility Plant Acquisition Adjustment	-	-	-	-	-	-	-	-	-	-	-
40												
41	**Original Cost Rate Base**	$ 4,240,018	$ -	$ 4,240,018	$ 203,589	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,443,607
42												
43												
44	Supporting Schedules:				Recap Schedules:							
45	E-1				B-1							
46												

Valencia Water Company, Town Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Rate Base Adjustment - Acceptance of RUCO Rate Base Adjustment

Line No.		
1		
2	Accumulated Depreciation as Filed	$ (3,071,499)
3	RUCO Calculated Accum. Depr.	(2,867,910)
4		
5	Adjustment to Accum. Depr.	$ 203,589
6		
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Valencia Water Company, Town Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Adjusted Test Year Income Statement

Schedule C-1

Line No.	DESCRIPTION	[A] Actual Test Year	[B] Pro Forma Adjustments - As Filed	[C] Adjusted Test Year - As Filed	[D] Rebuttal Adjustments	[E] Adjusted Test Year - Rebuttal	[F] Proposed Increase - Rebuttal	[G] Adjusted With Increase - Rebuttal
1	*Revenues*							
2	Metered Water Sales	$ 2,805,048	$ (145,110)	$ 2,659,938	$ 143,041	$ 2,802,979	$ 1,493,850	$ 4,296,829
3	Water Sales - Unmetered	-	-	-	-	-	-	-
4	Other Operating Revenue	266,111	(31,628)	234,483	-	234,483	117,810	352,293
5	Total Operating Revenues	$ 3,071,159	$ (176,738)	$ 2,894,421	$ 143,041	$ 3,037,462	$ 1,611,660	$ 4,649,122
6								
7	Operating Expenses							
8	601 Salary and Wages - Employees	$ 704,857	$ (34,049)	$ 670,808	$ (55,315)	$ 615,493	$ -	$ 615,493
9	604 Employee Pensions and Benefits	149,890	(6,810)	143,080	-	143,080	-	143,080
10	610 Purchased Water	-	-	-	-	-	-	-
11	615 Purchased Power	297,842	(6,229)	291,613	16,356	307,969	-	307,969
12	616 Fuel for Power Production	-	-	-	-	-	-	-
13	618 Chemicals	152,137	(8,519)	143,618	8,519	152,137	-	152,137
14	620 Materials and Supplies	31,821	-	31,821	-	31,821	-	31,821
15	620.08 Materials and Supplies	128,737	-	128,737	-	128,737	-	128,737
16	635 Contractual Services - Testing	33,729	-	33,729	-	33,729	-	33,729
17	636 Contractual Services - Other	41,898	-	41,898	-	41,898	-	41,898
18	641 Rental of Building/Real Property	37,473	-	37,473	-	37,473	-	37,473
19	642 Rental of Equipment	4,239	-	4,239	-	4,239	-	4,239
20	650 Transportation Expenses	67,812	-	67,812	-	67,812	-	67,812
21	657 Insurance - General Liability	17,098	-	17,098	-	17,098	-	17,098
22	659 Insurance - Other	3,336	-	3,336	-	3,336	-	3,336
23	660 Advertising Expense	123	(123)	-	-	-	-	-
24	667 Rate Case Expense	-	18,667	18,667	-	18,667	-	18,667
25	670 Bad Debt Expense	42,898	(13,954)	28,944	13,954	42,898	22,761	65,659
26	675 Miscellaneous Expenses	28,042	-	28,042	-	28,042	-	28,042
27	403 Depreciation Expense	1,135,750	1,064,236	2,199,986	-	2,199,986	-	2,199,986
28	408 Taxes Other Than Income	18,529	(12,644)	5,885	-	5,885	-	5,885
29	408.11 Taxes Other Than Income - Property Taxes	118,368	(118,368)	-	143,236	143,236	-	143,236
30	408.13 Taxes Other Than Income - Other Taxes and L	2,101	-	2,101	-	2,101	-	2,101
31	409 Income Taxes	55,849	(458,371)	(402,522)	5,577	(396,945)	613,297	216,352
32	Total Operating Expenses	$ 3,072,529	$ 423,836	$ 3,496,365	$ 132,327	$ 3,628,692	$ 636,058	$ 4,264,750
33								
34	Utility Operating Income (Loss)	$ (1,370)	$ (600,573)	$ (601,943)	$ 10,714	$ (591,229)	$ 975,601	$ 384,372
35								
36	414 Gains (Losses) from Disp of Util Prop	$ 285	$ -	$ 285	$ -	$ 285	$ -	$ 285
37	419 Interest and Dividend Income	12	-	12	-	12	-	12
38	427 Interest Expense	(148,766)	-	(148,766)	-	(148,766)	-	(148,766)
39	Total Other Income and Deductions	$ (148,469)	$ -	$ (148,469)	$ -	$ (148,469)	$ -	$ (148,469)
40								
41	Net Income (Loss)	$ (149,839)	$ (600,573)	$ (750,412)	$ 10,714	$ (739,698)	$ 975,601	$ 235,903
42								
43	Supporting Schedules:						Recap Schedules:	
44	E-2						A-1	
45	C-2							

Valencia Water Company, Town Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Pro Forma Adjustments

Line No.	DESCRIPTION	[A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Test Year - As Filed	[D] ADJ #1	[E] ADJ #2	[F] ADJ #3	[G] ADJ #4	[H] ADJ #5	[I] ADJ #6	[J] Adjusted Test Year - Rebuttal
					Rebuttal Adjustments						
1	Revenues										
2	Metered Water Sales	$ 2,805,048	$ (145,110)	$ 2,659,938	$ 143,041	$ -	$ -	$ -	$ -	$ -	$ 2,802,979
3	Water Sales - Unmetered	-	-	-	-	-	-	-	-	-	-
4	Other Operating Revenue	266,111	(31,628)	234,483	-	-	-	-	-	-	234,483
5	Total Operating Revenues	$ 3,071,159	$ (176,738)	$ 2,894,421	$ 143,041	$ -	$ -	$ -	$ -	$ -	$ 3,037,462
6											
7	Operating Expenses										
8	601 Salary and Wages - Employees	$ 704,857	$ (34,049)	$ 670,808	$ -	$ (55,315)	$ -	$ -	$ -	$ -	$ 615,493
9	604 Employee Pensions and Benefits	149,890	(6,810)	143,080	-	-	-	-	-	-	143,080
10	610 Purchased Water	-	-	-	-	-	-	-	-	-	-
11	615 Purchased Power	297,842	(6,229)	291,613	16,356	-	-	-	-	-	307,969
12	616 Fuel for Power Production	-	-	-	-	-	-	-	-	-	-
13	618 Chemicals	152,137	(8,519)	143,618	8,519	-	-	-	-	-	152,137
14	620 Materials and Supplies	31,821	-	31,821	-	-	-	-	-	-	31,821
15	620.08 Materials and Supplies	128,737	-	128,737	-	-	-	-	-	-	128,737
16	635 Contractual Services - Testing	33,729	-	33,729	-	-	-	-	-	-	33,729
17	636 Contractual Services - Other	41,898	-	41,898	-	-	-	-	-	-	41,898
18	641 Rental of Building/Real Property	37,473	-	37,473	-	-	-	-	-	-	37,473
19	642 Rental of Equipment	4,239	-	4,239	-	-	-	-	-	-	4,239
20	650 Transportation Expenses	67,812	-	67,812	-	-	-	-	-	-	67,812
21	657 Insurance - General Liability	17,098	-	17,098	-	-	-	-	-	-	17,098
22	659 Insurance - Other	3,336	-	3,336	-	-	-	-	-	-	3,336
23	660 Advertising Expense	123	(123)	-	-	-	-	-	-	-	-
24	667 Rate Case Expense	-	18,667	18,667	-	-	-	-	-	-	18,667
25	670 Bad Debt Expense	42,898	(13,954)	28,944	-	-	-	13,954	-	-	42,898
26	675 Miscellaneous Expenses	28,042	-	28,042	-	-	-	-	-	-	28,042
27	403 Depreciation Expense	1,135,750	1,064,236	2,199,986	-	-	-	-	-	-	2,199,986
28	408 Taxes Other Than Income	18,529	(12,644)	5,885	-	-	-	-	-	-	5,885
29	408.11 Taxes Other Than Income - Property Taxes	118,368	(118,368)	-	-	-	-	-	143,236	-	143,236
30	408.13 Taxes Other Than Income - Other Taxes and Licenses	2,101	-	2,101	-	-	-	-	-	-	2,101
31	409 Income Taxes	55,849	(458,371)	(402,522)	-	-	-	-	-	5,577	(396,945)
32	Total Operating Expenses	$ 3,072,529	$ 423,836	$ 3,496,365	$ 24,875	$ (55,315)	$ -	$ 13,954	$ 143,236	$ 5,577	$ 3,628,692
33											
34	Operating Income (Loss)	$ (1,370)	$ (600,573)	$ (601,943)	$ 118,166	$ 55,315	$ -	$ (13,954)	$ (143,236)	$ (5,577)	$ (591,229)
35											
36	414 Gains (Losses) from Disposition of Utility Property	$ 285	$ -	$ 285	$ -	$ -	$ -	$ -	$ -	$ -	$ 285
37	419 Interest and Dividend Income	12	-	12	-	-	-	-	-	-	12
38	427 Interest Expense	(148,766)	-	(148,766)	-	-	-	-	-	-	(148,766)
39	Total Other Income and Deductions	$ (148,469)	$ -	$ (148,469)	$ -	$ -	$ -	$ -	$ -	$ -	$ (148,469)
40											
41	Net Income (Loss)	$ (149,839)	$ (600,573)	$ (750,412)	$ 118,166	$ 55,315	$ -	$ (13,954)	$ (143,236)	$ (5,577)	$ (739,698)
42											
43											
44	Supporting Schedules:										
45	C-2										
46	E-2										

Valencia Water Company, Town Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 1
Remove Annualization Revenue & Expense to reflect End-of-Test Year Cutomer Counts

Line No.	Class of Service	[A] Average No. of Customers Per Bill Count Sch. H-2 Col. A	[B] Year-End Number of Customers	[C] Average Additional Customers [B - A]	[D] Change in *Bills* to be Issued	[E] Average *Gallons Sold* Per Customer	[F] Additional K *Gallons* To Be Sold	[G] Additional *Revenues at* Present Rates
1								
1	5/8" Residential, Town Division	4,661	4,728	67	813	Varies	2,847	$ (18,711)
2	3/4" Residential, Town Division	99	23	(76)	(901)	Varies	(4,204)	25,539
3	1" Residential, Town Division	75	79	4	49	Varies	380	(2,923)
4	2" Residential, Town Division	15	14	(1)	(8)	Varies	(862)	3,627
5	Subtotal Residential	4,850	4,844	(6)	(47)		(1,840)	$ 7,531
6								
7								
8	5/8" Commercial, Town Division	14	17	3	36	Varies	295	$ (1,312)
9	3/4" Commercial, Town Division	1	-	(1)	(7)	Varies	(41)	222
10	1" Commercial, Town Division	4	4	-	-	Varies	-	-
11	1.5" Commercial, Town Division	2	2	-	-	Varies	-	-
12	2" Commercial, Town Division	21	23	2	33	Varies	3,793	(11,276)
13	3" Commercial, Town Division	2	2	-	-	Varies	-	-
14	4" Commercial, Town Division	1	-	(1)	(6)	Varies	(8)	4,223
15	6" Commercial, Town Division	1	1	-	-	Varies	-	-
16	Subtotal Commercial	46	49	3	56		4,039	$ (8,144)
17								
18	2" Construction, TD	15	-	(15)	(178)	Varies	(32,772)	$ 119,538
19	3" Construction, TD	2	-	(2)	(16)	Varies	(1,592)	8,153
20	4" Construction, TD	1	-	(1)	(10)	Varies	(331)	7,945
21	8" Construction, TD	1	-	(1)	(5)	Varies	(1,580)	8,017
22		19	-	(19)	(209)		(36,274)	$ 143,654
23								
24	Totals	4,915	4,893	(22)	(200)		(34,075)	$ 143,041
25								
26								
27								

Line No.	Class of Expense	Average Cost Per Gallons Sold Per Sch. E-7	Additional K Gallons To Be Sold	Additional Cost From Customer Growth
28				
29				
30				
31				
32				
33	Pumping	$ 0.48	(34,075)	$ 16,356
34	Water Treatment	$ 0.25	(34,075)	$ 8,519
35				
36	Totals			$ 24,875
37				
38				
39				
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Valencia Water Company, Town Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 2
Adjust Salaries and Wages to Account for Staff Adjustment 4

Line No.		
1	Staff Adjustment	$ 61,633
2	Removal of duplicate reduction	6,318
3	Adjustment to Salaries and Wages	$ (55,315)
4		
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6		
7	Adjustment to Salaries and Wages	$ (55,315)
8		
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Valencia Water Company, Town Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 3
Adjustment to Purchased Power Expense

Line No.	
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Valencia Water Company, Town Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 4
Adjust Bad Debt Expense for Change in Revenue Levels

Schedule C-2
Page 5 of 7

Line No.		
1	Bad Debt Expense - Test Year Actual	$ 42,898
2	Adjusted Test Year Revenues	3,037,462
3	Bad Debt Expense Rate	1.4123%
4		
5	Adjustment to Bad Debt Expense - Remove Direct Adjustment	$ 13,954
6		
7		
8	Adjustment to Bad Debt Expense for Proposed Revenues	$ 22,761
9		
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Valencia Water Company, Town Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 5
Adjustment to Property Tax

Schedule C-2
Page 6 of 7

Line No.		Test Year As Adjusted	Proposed
1	Adjusted Test Year Revenues	$ 3,037,462	$ 3,037,462
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	6,074,925	$ 6,074,925
4	Proposed Revenue Requirement	3,037,462	$ 3,037,462
5	Subtotal (Line 4 + Line 5)	9,112,387	9,112,387
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	3,037,462	$ 3,037,462
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	6,074,925	$ 6,074,925
10	Plus: 10% of CWIP -	415,844	415,844
11	Less: Net Book Value of Licensed Vehicles	96,323	$ 96,323
12	Full Cash Value (Line 9 + Line 10 - Line 11)	6,394,446	$ 6,394,446
13	Assessment Ratio	21.0%	21.0%
14	Assessment Value (Line 12 * Line 13)	1,342,834	$ 1,342,834
15	Composite Property Tax Rate	10.6667%	10.6667%
16			$ -
17	Test Year Adjusted Property Tax (Line 14 * Line 15) - Rebuttal	$ 143,236	
18	Company Proposed Property Tax - As Filed	-	
19			
20	Test Year Adjustment (Line 16-Line 17)	$ 143,236	
21	Property Tax - Recommended Revenue (Line 14 * Line 15)		$ 143,236
22	Test Year Adjusted Property Tax Expense (Line 16)		$ 143,236
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		$ -
24			
25	Increase to Property Tax Expense		$ -
26	Increase in Revenue Requirement		-
27	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		0.000000%
28			
29			
30	Adjustor Commodity Base Rate (Proposed Prop. Tax / Test Year Gallons Sold x 1,000)		$ 0.23
31	At end of year, calculation is made to determine property tax collected using the commodity base rate		
32	multiplied by the year's gallons sold/1,000. This equates to the property tax collected, Actual		
33	property tax divided by the year's gallons sold/1,000 is also calculated. The difference would		
34	be passed through to customers as the Property Tax Adjustor rate.		
35			
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Valencia Water Company, Town Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 6
Adjust Income Taxes to Reflect Adjusted and Proposed Income Taxes

Schedule C-2
Page 7 of 7

Line No.		Adjusted Test Year Results	Proposed Revenue Results
1			
2	Operating Income Before Income Taxes	$ (988,174)	$ 600,724
3	Synchronized Interest	40,210	40,210
4	Arizona Taxable Income	$ (1,028,384)	$ 560,514
5			
6	Arizona Income Tax (6.968%)	$ (71,658)	$ 39,057
7			
8	Federal Income Before Taxes	$ (1,028,384)	$ 560,514
9	Less Arizona Income Taxes	(71,658)	39,057
10	Federal Taxable Income	$ (956,727)	$ 521,457
11			
12	Federal Income Tax (34% Tax Bracket)	$ (325,287)	$ 177,295
13			
14	Total Income Tax	$ (396,945)	$ 216,352
15			
16	Tax Rate	38.5989%	38.5989%
17			
18	Effective Income Tax Rates		
19	State	6.9680%	6.9680%
20	Federal	31.6309%	31.6309%
21			
22			
23	Test Year Income Taxes (Sch. C-2, Line 31)	$ (402,522)	
24	Increase/(Decrease) to Income Taxes - Adjusted	$ 5,577	
25			
26	Test Year Income Taxes - Adjusted		$ (396,945)
27			
28	Increase/(Decrease) to Proposed Income Taxes		$ 613,297
29			
30			
31	*Calculation of Interest Synchronization:*		
32	Rate Base (Sch. B-1)		$ 4,443,607
33	Weighted Average Cost of Debt (Sch. D-1)		0.90%
34	Synchronized Interest (L32 X L33)		$ 40,210
35			
36			
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Valencia Water Company, Town Division - Rebuttal Schedules Schedule C-3
Test Year Ended December 31, 2008
Computation of Gross Conversion Factor

Line No.				Percentage of Incremental Gross Revenues
1	Revenue			100.0000%
2	Uncollecible Factor (L14)			0.8672%
3	Revenues (L1 - L2)			99.1328%
4	Combined Federal and State Income Tax			38.5989%
5	Subtotal (L3 - L4)			60.5340%
6	**Revenue Conversion Factor (L1 / L5)**			**1.651965**
7				
8				
9	Calculation of Uncollectible Factor:			
10	Revenue			100.0000%
11	Combined Federal and State Tax Rate (L23)			38.5989%
12	One Minus Combined Income Tax Rate (L10 - L11)			61.4011%
13	Uncollectible Rate			1.4123%
14	Uncollectible Factor (L12 x L13)			0.8672%
15				
16	Calculation of Effective Tax Rate:			
17	Arizona State Income Tax Rate		6.9680%	
18	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
19	Arizona State Income Tax Rate	6.9680%		
20	Federal Taxable Income (L18 - L19)	93.0320%		
21	Applicable Federal Income Tax Rate	34.0000%		
22	Effective Federal Income Tax Rate (L20 x L21)		31.6309%	
23	Combined Federal and State Income Tax Rate (L17 +L22)			38.5989%
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Rebuttal Schedule

VWC-GBD

Valencia Water Company, Greater Buckeye Division - Rebuttal Schedules Schedule A-1
Test Year Ended December 31, 2008
Computation of Increase in Gross Revenue Requirement

Line No.	DESCRIPTION	AS FILED Original Cost - As Filed	AS FILED Fair Value - As Filed	REBUTTAL Original Cost - Rebuttal	REBUTTAL Fair Value - Rebuttal
1	Adjusted Rate Base	$ 929,057	$ 929,057	$ 895,377	$ 895,377
2					
3	Adjusted Operating Income (Loss)	$ (4,404)	$ (4,404)	$ 11,614	$ 11,614
4					
5	Current Rate of Return (L3 / L1)	-0.47%	-0.47%	1.30%	1.30%
6					
7	Required Operating Income (L9 * L1)	$ 90,304	$ 90,304	$ 77,450	$ 77,450
8					
9	Required Rate of Return	9.72%	9.72%	8.65%	8.65%
10					
11	Operating Income Deficiency (L7 - L3)	$ 94,708	$ 94,708	$ 65,836	$ 65,836
12					
13	Gross Revenue Conversion Factor	1.645086	1.645086	1.646464	1.646464
14					
15	Increase in Gross Revenue Requirements	$ 155,803	$ 155,803	$ 108,396	$ 108,396
16					
17					
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21	Supporting Schedules:				
22	B-1				
23	C-1				
24	C-3				
25	H-1				
26					
27					

Valencia Water Company, Greater Buckeye Division - Rebuttal Schedules Schedule B-1
Test Year Ended December 31, 2008
Summary of Fair Value Rate Base

Line No.		O.C. Rate Base - As Filed	Rebuttal Adjustments	O.C. Rate Base - Rebuttal
1	Plant in Service	$ 2,832,537	$ -	$ 2,832,537
2	Less: Accumulated Depreciation	(898,484)	(33,680)	(932,164)
3				
4	Net Plant in Service	$ 1,934,053	$ (33,680)	$ 1,900,373
5				
6	LESS:			
7	Net CIAC	336,583	-	336,583
8	Advances in Aid of Construction (AIAC)	747,555	-	747,555
9	Customer Deposits	11,080	-	11,080
10	Deferred Income Tax Credits	-	-	-
11				
12	ADD:			
13	Unamortized Finance Charges	-	-	-
14	Deferred Tax Assets	90,222	-	90,222
15	Working Capital	-	-	-
16	Utility Plant Acquisition Adjustment	-	-	-
17				
18	Original Cost Rate Base	$ 929,057	$ (33,680)	$ 895,377
19				
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22				
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42	Supporting Schedules:		Recap Schedules:	
43	B-2		A-1	
44	B-3			
45	E-1			
46	B-5			
47				
48				

Valencia Water Company, Greater Buckeye Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Original Cost Rate Base Pro Forma Adjustments

Schedule B-2
Page 1 of 2

Line No.	Description	[A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Test Year - As Filed	[D] ADJ #1	[E] ADJ #2	[F] ADJ #3	[G] ADJ #4	[H] ADJ #5	[I] ADJ #6	[J] ADJ #7	[K] Adjusted Test Year - Rebuttal
					Rebuttal Adjustments							
1	303 Land and Land Rights	$ 27,898	$ -	$ 27,898	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 27,898
2	304 Structures and Improvements	39,169	-	39,169	-	-	-	-	-	-	-	39,169
3	306 Lake, River and Other Intakes	-	-	-	-	-	-	-	-	-	-	-
4	307 Wells and Springs	115,895	-	115,895	-	-	-	-	-	-	-	115,895
5	309 Supply Mains	-	-	-	-	-	-	-	-	-	-	-
6	310 Power Generation Equipment	-	-	-	-	-	-	-	-	-	-	-
7	311 Pumping Equipment	472,851	-	472,851	-	-	-	-	-	-	-	472,851
8	320 Water Treatment Equipment	729,148	-	729,148	-	-	-	-	-	-	-	729,148
9	330 Distribution Reservoirs ad Standpipes	588,545	-	588,545	-	-	-	-	-	-	-	588,545
10	331 Transmission and Distribution Mains	712,346	-	712,346	-	-	-	-	-	-	-	712,346
11	333 Services	37,406	-	37,406	-	-	-	-	-	-	-	37,406
12	334 Meters and Meter Installations	35,389	-	35,389	-	-	-	-	-	-	-	35,389
13	335 Hydrants	40,757	-	40,757	-	-	-	-	-	-	-	40,757
14	336 Backflow Prevention Devices	5,432	-	5,432	-	-	-	-	-	-	-	5,432
15	339 Other Plant and Miscellaneous Equipment	4,284	-	4,284	-	-	-	-	-	-	-	4,284
16	340 Office Furniture and Equipment	-	-	-	-	-	-	-	-	-	-	-
17	341 Transportation Equipment	-	-	-	-	-	-	-	-	-	-	-
18	343 Tools, Shop and Garage Equipment	1,650	-	1,650	-	-	-	-	-	-	-	1,650
19	344 Laboratory Equipment	-	-	-	-	-	-	-	-	-	-	-
20	345 Power Operated Equipment	-	-	-	-	-	-	-	-	-	-	-
21	346 Communication Equipment	4,225	-	4,225	-	-	-	-	-	-	-	4,225
22	347 Miscellaneous Equipment	10,089	-	10,089	-	-	-	-	-	-	-	10,089
23	348 Other Tangible Plant	7,453	-	7,453	-	-	-	-	-	-	-	7,453
24												
25	Total Plant in Service	$ 2,832,537	$ -	$ 2,832,537	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,832,537
26	Less: Accumulated Depreciation	(898,484)	-	(898,484)	(33,680)	-	-	-	-	-	-	(932,164)
27	Net Plant in Service (L59 - L 60)	$ 1,934,053	$ -	$ 1,934,053	$ (33,680)	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,900,373
28												
29	LESS:											
30	Net Contributions in Aid of Construction (CIAC)	$ 336,583	$ -	$ 336,583	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 336,583
31	Advances in Aid of Construction (AIAC)	747,555	-	747,555	-	-	-	-	-	-	-	747,555
32	Customer Meter Deposits	11,080	-	11,080	-	-	-	-	-	-	-	11,080
33	Deferred Income Tax Credits	-	-	-	-	-	-	-	-	-	-	-
34												
35	ADD:											
36	Unamortized Finance Charges	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	Deferred Tax Assets	90,222	-	90,222	-	-	-	-	-	-	-	90,222
38	Working Capital	-	-	-	-	-	-	-	-	-	-	-
39	Utility Plant Acquisition Adjustment	-	-	-	-	-	-	-	-	-	-	-
40												
41	**Original Cost Rate Base**	$ 929,057	$ -	$ 929,057	$ (33,680)	$ -	$ -	$ -	$ -	$ -	$ -	$ 895,377
42												
43												
44	Supporting Schedules:				Recap Schedules:							
45	E-1				B-1							
46												

Valencia Water Company, Greater Buckeye Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Rate Base Adjustment - Acceptance of RUCO Rate Base Adjustment

Line No.		
1		
2	Accumulated Depreciation as Filed	$ (898,484)
3	RUCO Calculated Accum. Depr.	(932,164)
4		
5	Adjustment to Accum. Depr.	$ (33,680)
6		
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Valencia Water Company, Greater Buckeye Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Adjusted Test Year Income Statement

Schedule C-1

Line No.	DESCRIPTION	[A] Actual Test Year	[B] Pro Forma Adjustments - As Filed	[C] Adjusted Test Year - As Filed	[D] Rebuttal Adjustments	[E] Adjusted Test Year - Rebuttal	[F] Proposed Increase - Rebuttal	[G] Adjusted With Increase - Rebuttal
1	Revenues							
2	Metered Water Sales	$ 365,114	$ (42,334)	$ 322,780	$ 43,655	$ 366,435	$ 98,246	$ 464,682
3	Water Sales - Unmetered	-	-	-	-	-	-	-
4	Other Operating Revenue	14,039	-	14,039	-	14,039	10,150	24,189
5	Total Operating Revenues	$ 379,153	$ (42,334)	$ 336,819	$ 43,655	$ 380,474	$ 108,396	$ 488,871
6								
7	Operating Expenses							
8	601 Salary and Wages - Employees	$ 78,836	$ (2,619)	$ 76,217	$ (7,016)	$ 69,201	$ -	$ 69,201
9	*604 Employee Pensions and Benefits*	16,688	(524)	16,164	-	16,164	-	16,164
10	610 Purchased Water	52,085	-	52,085	-	52,085	-	52,085
11	615 Purchased Power	26,107	(3,542)	22,565	4,429	26,995	-	26,995
12	616 Fuel for Power Production	-	-	-	-	-	-	-
13	618 Chemicals	13,043	(2,282)	10,761	2,282	13,043	-	13,043
14	620 Materials and Supplies	4,236	-	4,236	-	4,236	-	4,236
15	620.08 Materials and Supplies	16,551	-	16,551	-	16,551	-	16,551
16	635 Contractual Services - Testing	-	-	-	-	-	-	-
17	636 Contractual Services - Other	3,774	-	3,774	-	3,774	-	3,774
18	641 Rental of Building/Real Property	593	-	593	-	593	-	593
19	642 Rental of Equipment	3,686	-	3,686	-	3,686	-	3,686
20	650 Transportation Expenses	56	-	56	-	56	-	56
21	657 Insurance - General Liability	9,876	-	9,876	-	9,876	-	9,876
22	659 Insurance - Other	2,073	-	2,073	-	2,073	-	2,073
23	660 Advertising Expense	336	(336)	-	-	-	-	-
24	667 Rate Case Expense	22	1,333	1,355	-	1,355	-	1,355
25	670 Bad Debt Expense	4,120	(752)	3,368	752	4,120	1,174	5,294
26	675 Miscellaneous Expenses	6,644	-	6,644	-	6,644	-	6,644
27	403 Depreciation Expense	95,385	18,195	113,580	-	113,580	-	113,580
28	408 Taxes Other Than Income	3,340	-	3,340	-	3,340	-	3,340
29	408.11 Taxes Other Than Income - Property Taxes	15,527	(15,527)	-	17,015	17,015	-	17,015
30	408.13 Taxes Other Than Income - *Other Taxes and L*	-	-	-	-	-	-	-
31	409 Income Taxes	13,939	(19,642)	(5,703)	10,176	4,473	41,387	45,860
32	Total Operating Expenses	$ 366,917	$ (25,694)	$ 341,223	$ 27,637	$ 368,860	$ 42,560	$ 411,420
33								
34	Utility Operating Income (Loss)	$ 12,236	$ (16,640)	$ (4,404)	$ 16,018	$ 11,614	$ 65,836	$ 77,450
35								
36	414 Gains (Losses) from Disp of Util Prop	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	419 Interest and Dividend Income	-	-	-	-	-	-	-
38	427 Interest Expense	(8,548)	-	(8,548)	-	(8,548)	-	(8,548)
39	Total Other Income and Deductions	$ (8,548)	$ -	$ (8,548)	$ -	$ (8,548)	$ -	$ (8,548)
40								
41	Net Income (Loss)	$ 3,688	$ (16,640)	$ (12,952)	$ 16,018	$ 3,066	$ 65,836	$ 68,902
42								
43								
44								
45								
46								
47								
48	Supporting Schedules:					Recap Schedules:		
49	E-2					A-1		
50	C-2							

Valencia Water Company, Greater Buckeye Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Pro Forma Adjustments

Line No.	DESCRIPTION	[A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Test Year - As Filed	[D] ADJ #1	[E] ADJ #2	[F] ADJ #3	[G] ADJ #4	[H] ADJ #5	[I] ADJ #6	[J] Adjusted Test Year - Rebuttal
					Rebuttal Adjustments						
1	Revenues										
2	Metered Water Sales	$ 365,114	$ (42,334)	$ 322,780	$ 43,655	$ -	$ -	$ -	$ -	$ -	$ 366,435
3	*Water Sales - Unmetered*	-	-	-	-	-	-	-	-	-	-
4	Other Operating Revenue	14,039	-	14,039	-	-	-	-	-	-	14,039
5	Total Operating Revenues	$ 379,153	$ (42,334)	$ 336,819	$ 43,655	$ -	$ -	$ -	$ -	$ -	$ 380,474
6											
7	Operating Expenses										
8	601 Salary and Wages - Employees	$ 78,836	$ (2,619)	$ 76,217	$ -	$ (7,016)	$ -	$ -	$ -	$ -	$ 69,201
9	604 Employee Pensions and Benefits	16,688	(524)	16,164	-	-	-	-	-	-	16,164
10	610 Purchased Water	52,085	-	52,085	-	-	-	-	-	-	52,085
11	615 Purchased Power	26,107	(3,542)	22,565	4,429	-	-	-	-	-	26,995
12	616 Fuel for Power Production	-	-	-	-	-	-	-	-	-	-
13	618 Chemicals	13,043	(2,282)	10,761	2,282	-	-	-	-	-	13,043
14	620 Materials and Supplies	4,236	-	4,236	-	-	-	-	-	-	4,236
15	620.08 Materials and Supplies	16,551	-	16,551	-	-	-	-	-	-	16,551
16	635 Contractual Services - Testing	-	-	-	-	-	-	-	-	-	-
17	636 Contractual Services - *Other*	3,774	-	3,774	-	-	-	-	-	-	3,774
18	641 Rental of Building/Real Property	593	-	593	-	-	-	-	-	-	593
19	642 Rental of Equipment	3,686	-	3,686	-	-	-	-	-	-	3,686
20	650 Transportation Expenses	56	-	56	-	-	-	-	-	-	56
21	657 Insurance - General Liability	9,876	-	9,876	-	-	-	-	-	-	9,876
22	659 Insurance - Other	2,073	-	2,073	-	-	-	-	-	-	2,073
23	660 Advertising Expense	336	(336)	-	-	-	-	-	-	-	-
24	667 Rate Case Expense	22	1,333	1,355	-	-	-	-	-	-	1,355
25	670 Bad Debt Expense	4,120	(752)	3,368	-	-	-	752	-	-	4,120
26	675 Miscellaneous Expenses	6,644	-	6,644	-	-	-	-	-	-	6,644
27	403 Depreciation Expense	95,385	18,195	113,580	-	-	-	-	-	-	113,580
28	408 Taxes Other Than Income	3,340	-	3,340	-	-	-	-	-	-	3,340
29	408.11 Taxes Other Than Income - Property Taxes	15,527	(15,527)	-	-	-	-	-	17,015	-	17,015
30	408.13 Taxes Other Than Income - Other Taxes and Licenses	-	-	-	-	-	-	-	-	-	-
31	409 Income Taxes	13,939	(19,642)	(5,703)	-	-	-	-	-	10,176	4,473
32	Total Operating Expenses	$ 366,917	$ (25,694)	$ 341,223	$ 6,711	$ (7,016)	$ -	$ 752	$ 17,015	$ 10,176	$ 368,860
33											
34	Operating Income (Loss)	$ 12,236	$ (16,640)	$ (4,404)	$ 36,944	$ 7,016	$ -	$ (752)	$ (17,015)	$ (10,176)	$ 11,614
35											
36	414 Gains (Losses) from Disposition of Utility Property	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	419 Interest and Dividend Income	-	-	-	-	-	-	-	-	-	-
38	427 Interest Expense	(8,548)	-	(8,548)	-	-	-	-	-	-	(8,548)
39	Total Other Income and Deductions	$ (8,548)	$ -	$ (8,548)	$ -	$ -	$ -	$ -	$ -	$ -	$ (8,548)
40											
41	Net Income (Loss)	$ 3,688	$ (16,640)	$ (12,952)	$ 36,944	$ 7,016	$ -	$ (752)	$ (17,015)	$ (10,176)	$ 3,066
42											
43											
44	Supporting Schedules:										
45	C-2										
46	E-2										

Valencia Water Company, Greater Buckeye Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 1
Remove Annualization Revenue & Expense to reflect End-of-Test Year Cutomer Counts

Line No.	Class of Service	[A] Average No. of Customers Per Bill Count Sch. H-2 Col. A	[B] Year-End Number of Customers	[C] Average Additional Customers [B - A]	[D] Change in Bills to be Issued	[E] Average Gallons Sold Per Customer	[F] Additional K Gallons To Be Sold	[G] Additional Revenues at Present Rates
1	5/8" Residential, Greater Buckeye Division	504	528	24	288	Varies	2,573	(11,685)
2	3/4" Residential, Greater Buckeye Division	58	6	(52)	(622)	Varies	(6,375)	27,798
3	1" Residential, Greater Buckeye Division	53	55	2	29	Varies	274	(1,916)
4	Subtotal Residential	615	589	(26)	(305)		(3,528)	$ 14,197
5								
6	5/8" Commercial, Greater Buckeye Division	2	2	-	-	Varies	-	-
7	Subtotal Commercial	2	2	-	-		-	$ -
8								
9	2' Construction, GBD	2	-	(2)	(15)	Varies	(9,894)	29,459
10		2	-	(2)	(15)		(9,894)	$ 29,459
11								
12	Totals	619	591	(28)	(320)		(13,422)	$ 43,655
13								
14								
15								

Line No.	Class of Expense	Average Cost Per Gallons Sold Per Sch. E-7	Additional K Gallons To Be Sold	Additional Cost From Customer Growth
16				
17				
18				
19				
20				
21	Pumping	$ 0.33	(13,422)	$ 4,429
22	Water Treatment	$ 0.17	(13,422)	2,282
23				
24	Totals			$ 6,711
25				
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Valencia Water Company, Greater Buckeye Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 2
Adjust Salaries and Wages to Account for Staff Adjustment 4

Line No.			
1	Staff Adjustment	$	7,832
2	Removal of duplicate reduction		816
3	Adjustment to Salaries and Wages	$	(7,016)
4			
5			
6			
7	Adjustment to Salaries and Wages	$	(7,016)
8			
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Valencia Water Company, Greater Buckeye Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 3
Adjustment to Purchased Power Expense

Line No.	
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Valencia Water Company, Greater Buckeye Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 4
Adjust Bad Debt Expense for Change in Revenue Levels

Line No.		
1	Bad Debt Expense - Test Year Actual	$ 4,120
2	Adjusted Test Year Revenues	380,474
3	Bad Debt Expense Rate	1.08%
4		
5	Adjustment to Bad Debt Expense - Remove Direct Adjustment	$ 752
6		
7		
8	Adjustment to Bad Debt Expense for Proposed Revenues	$ 1,174
9		
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Valencia Water Company, Greater Buckeye Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 5
Adjustment to Property Tax

Line No.		Test Year As Adjusted	Proposed
1	Adjusted Test Year Revenues	$ 380,474	$ 380,474
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	760,949	$ 760,949
4	Proposed Revenue Requirement	380,474	$ 380,474
5	Subtotal (Line 4 + Line 5)	1,141,423	1,141,423
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	380,474	$ 380,474
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	760,949	$ 760,949
10	Plus: 10% of CWIP -	12,969	12,969
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	773,918	$ 773,918
13	Assessment Ratio	21.0%	21.0%
14	Assessment Value (Line 12 * Line 13)	162,523	$ 162,523
15	Composite Property Tax Rate	10.4693%	10.4693%
16			$ -
17	Test Year Adjusted Property Tax (Line 14 * Line 15) - Rebuttal	$ 17,015	
18	Company Proposed Property Tax - As Filed	-	
19			
20	Test Year Adjustment (Line 16-Line 17)	$ 17,015	
21	Property Tax - Recommended Revenue (Line 14 * Line 15)		$ 17,015
22	Test Year Adjusted Property Tax Expense (Line 16)		$ 17,015
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		$ -
24			
25	Increase to Property Tax Expense		$ -
26	Increase in Revenue Requirement		-
27	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		0.000000%
28			
29			
30	Adjustor Commodity Base Rate (Proposed Prop. Tax / Test Year Gallons Sold x 1,000)		$ 0.22
31	At end of year, calculation is made to determine property tax collected using the commodity base rate		
32	multiplied by the year's gallons sold/1,000. This equates to the property tax collected, Actual		
33	property tax divided by the year's gallons sold/1,000 is also calculated. The difference would		
34	be passed through to customers as the Property Tax Adjustor rate.		
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Valencia Water Company, Greater Buckeye Division - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 6
Adjust Income Taxes to Reflect Adjusted and Proposed Income Taxes

Schedule C-2
Page 7 of 7

Line No.		Adjusted Test Year Results	Proposed Revenue Results
1			
2	Operating Income Before Income Taxes	$ 16,087	$ 123,310
3	Synchronized Interest	4,499	4,499
4	Arizona Taxable Income	$ 11,589	$ 118,811
5			
6	Arizona Income Tax (6.968%)	$ 808	$ 8,279
7			
8	Federal Income Before Taxes	$ 11,589	$ 118,811
9	*Less Arizona Income Taxes*	808	8,279
10	Federal Taxable Income	$ 10,781	$ 110,532
11			
12	Federal Income Tax (34% Tax Bracket)	$ 3,666	$ 37,581
13			
14	Total Income Tax	$ 4,473	$ 45,860
15			
16	Tax Rate	38.5989%	38.5989%
17			
18	Effective Income Tax Rates		
19	State	6.9680%	6.9680%
20	Federal	31.6309%	31.6309%
21			
22			
23	Test Year Income Taxes (Sch. C-2, Line 31)	$ (5,703)	
24	Increase/(Decrease) to Income Taxes - Adjusted	$ 10,176	
25			
26	Test Year Income Taxes - Adjusted		$ 4,473
27			
28	Increase/(Decrease) to Proposed Income Taxes		$ 41,387
29			
30			
31	*Calculation of Interest Synchronization:*		
32	Rate Base (Sch. B-1)		$ 895,377
33	Weighted Average Cost of Debt (Sch. D-1)		0.50%
34	Synchronized Interest (L32 X L33)		$ 4,499
35			
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Valencia Water Company, Greater Buckeye Division - Rebuttal Schedules Schedule C-3
Test Year Ended December 31, 2008
Computation of Gross Conversion Factor

Line No.				Percentage of Incremental Gross Revenues
1	Revenue			100.0000%
2	Uncollecible Factor (L14)			0.6649%
3	Revenues (L1 - L2)			99.3351%
4	Combined Federal and State Income Tax			38.5989%
5	Subtotal (L3 - L4)			60.7362%
6	**Revenue Conversion Factor (L1 / L5)**			**1.646464**
7				
8				
9	Calculation of Uncollectible Factor:			
10	Revenue			100.0000%
11	Combined Federal and State Tax Rate (L23)			38.5989%
12	One Minus Combined Income Tax Rate (L10 - L11)			61.4011%
13	Uncollectible Rate			1.0829%
14	Uncollectible Factor (L12 x L13)			0.6649%
15				
16	Calculation of Effective Tax Rate:			
17	Arizona State Income Tax Rate		6.9680%	
18	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
19	Arizona State Income Tax Rate	6.9680%		
20	Federal Taxable Income (L18 - L19)	93.0320%		
21	Applicable Federal Income Tax Rate	34.0000%		
22	Effective Federal Income Tax Rate (L20 x L21)		31.6309%	
23	Combined Federal and State Income Tax Rate (L17 +L22)			38.5989%
24				
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Rebuttal Schedule

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Water Utility of Greater Tonopah, Inc. - Rebuttal Schedules Schedule A-1
Test Year Ended December 31, 2008
Computation of Increase in Gross Revenue Requirement

Line No.	DESCRIPTION	AS FILED Original Cost - As Filed	AS FILED Fair Value - As Filed	REBUTTAL Original Cost - Rebuttal	REBUTTAL Fair Value - Rebuttal
1	Adjusted Rate Base	$ 2,598,259	$ 2,598,259	$ 2,563,849	$ 2,563,849
2					
3	Adjusted Operating Income (Loss)	$ (153,371)	$ (153,371)	$ (157,401)	$ (157,401)
4					
5	Current Rate of Return (L3 / L1)	-5.90%	-5.90%	-6.14%	-6.14%
6					
7	Required Operating Income (L9 * L1)	$ 258,267	$ 258,267	$ 221,773	$ 221,773
8					
9	Required Rate of Return	9.94%	9.94%	8.65%	8.65%
10					
11	Operating Income Deficiency (L7 - L3)	$ 411,638	$ 411,638	$ 379,174	$ 379,174
12					
13	Gross Revenue Conversion Factor	1.645086	1.645086	1.644176	1.644176
14					
15	Increase in Gross Revenue Requirements	$ 677,179	$ 677,179	$ 623,429	$ 623,429
16					
17					
18					
19					
20					
21	Supporting Schedules:				
22	B-1				
23	C-1				
24	C-3				
25	H-1				
26					
27					

Water Utility of Greater Tonopah, Inc. - Rebuttal Schedules Schedule B-1
Test Year Ended December 31, 2008
Summary of Fair Value Rate Base

Line No.		O.C. Rate Base - As Filed	Rebuttal Adjustments	O.C. Rate Base - Rebuttal
1	Plant in Service	$ 4,764,593	$ -	$ 4,764,593
2	Less: Accumulated Depreciation	(952,778)	(34,410)	(987,188)
3				
4	Net Plant in Service	$ 3,811,815	$ (34,410)	$ 3,777,405
5				
6	LESS:			
7	Net CIAC	64,988	-	64,988
8	Advances in Aid of Construction (AIAC)	1,244,686	-	1,244,686
9	Customer Deposits	11,537	-	11,537
10	Deferred Income Tax Credits	-	-	-
11				
12	ADD:			
13	Unamortized Finance Charges	-	-	-
14	Deferred Tax Assets	107,655	-	107,655
15	Working Capital	-	-	-
16	Utility Plant Acquisition Adjustment	-	-	-
17				
18	Original Cost Rate Base	$ 2,598,259	$ (34,410)	$ 2,563,849
19				
20				
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23				
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31				
32				
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34				
35	Supporting Schedules:		Recap Schedules:	
36	B-2		A-1	
37	B-3			
38	E-1			
39	B-5			
40				

Water Utility of Greater Tonopah, Inc. - Rebuttal Schedules
Test Year Ended December 31, 2008
Original Cost Rate Base Pro Forma Adjustments

Schdule B-2
Page 1 of 2

Line No.	Description	[A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Test Year - As Filed	[D] ADJ #1	[E] ADJ #2	[F] ADJ #3	[G] ADJ #4	[H] ADJ #5	[I] ADJ #6	[J] ADJ #7	[K] Adjusted Test Year - Rebuttal
					Rebuttal Adjustments							
1	303 Land and Land Rights	$ 66,651	$ -	$ 66,651	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 66,651
2	304 Structures and Improvements	46,704	-	46,704	-	-	-	-	-	-	-	46,704
3	306 Lake, River and Other Intakes	-	-	-	-	-	-	-	-	-	-	-
4	307 Wells and Springs	299,601	-	299,601	-	-	-	-	-	-	-	299,601
5	309 Supply Mains	-	-	-	-	-	-	-	-	-	-	-
6	310 Power Generation Equipment	-	-	-	-	-	-	-		-	-	-
7	311 Pumping Equipment	1,638,498	-	1,638,498	-	-	-	-	-	-	-	1,638,498
8	320 Water Treatment Equipment	1,348,884	-	1,348,884	-	-	-	-	-	-	-	1,348,884
9	330 Distribution Reservoirs and Standpipes	180,350	-	180,350	-	-	-	-	-	-	-	180,350
10	331 Transmission and Distribution Mains	880,279	-	880,279	-	-	-	-	-	-	-	880,279
11	333 Services	40,356	-	40,356	-	-	-	-	-	-	-	40,356
12	334 Meters and Meter Installations	57,148	-	57,148	-	-	-	-	-	-	-	57,148
13	335 Hydrants	38,386	-	38,386	-	-	-	-	-	-	-	38,386
14	336 Backflow Prevention Devices	5,894	-	5,894	-	-	-	-	-	-	-	5,894
15	339 Other Plant and Miscellaneous Equipment	3,543	-	3,543	-	-	-	-	-	-	-	3,543
16	340 Office Furniture and Equipment	-	-	-	-	-	-	-	-	-	-	-
17	341 Transportation Equipment	32,617	-	32,617	-	-	-	-	-	-	-	32,617
18	343 Tools, Shop and Garage Equipment	1,123	-	1,123	-	-	-	-	-	-	-	1,123
19	344 Laboratory Equipment	663	-	663	-	-	-	-	-	-	-	663
20	345 Power Operated Equipment	838	-	838	-	-	-	-	-	-	-	838
21	346 Communication Equipment	12,408	-	12,408	-	-	-	-	-	-	-	12,408
22	347 Miscellaneous Equipment	5,436	-	5,436	-	-	-	-	-	-	-	5,436
23	348 Other Tangible Plant	105,214	-	105,214	-	-	-	-	-	-	-	105,214
24												
25	Total Plant in Service	$ 4,764,593	$ -	$ 4,764,593	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,764,593
26	Less: Accumulated Depreciation	(952,778)	-	(952,778)	(34,410)	-	-	-	-	-	-	(987,188)
27	Net Plant in Service (L59 - L 60)	$ 3,811,815	$ -	$ 3,811,815	$ (34,410)	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,777,405
28												
29	LESS:											
30	Net Contributions in Aid of Construction (CIAC)	$ 64,988	$ -	$ 64,988	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 64,988
31	Advances in Aid of Construction (AIAC)	1,244,686	-	1,244,686	-	-	-	-	-	-	-	1,244,686
32	Customer Meter Deposits	11,537	-	11,537	-	-	-	-	-	-	-	11,537
33	Deferred Income Tax Credits	-	-	-	-	-	-	-	-	-	-	-
34												
35	ADD:											
36	Unamortized Finance Charges	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	Deferred Tax Assets	107,655	-	107,655	-	-	-	-	-	-	-	107,655
38	Working Capital	-	-	-	-	-	-	-	-	-	-	-
39	Utility Plant Acquisition Adjustment	-	-	-	-	-	-	-	-	-	-	-
40												
41	**Original Cost Rate Base**	$ 2,598,259	$ -	$ 2,598,259	$ (34,410)	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,563,849
42												
43												
44	Supporting Schedules:				Recap Schedules:							
45	E-1				B-1							

Water Utility of Greater Tonopah, Inc. - Rebuttal Schedules
Test Year Ended December 31, 2008
Rate Base Adjustment - Acceptance of RUCO Rate Base Adjustment

Line No.		
1		
2	Accumulated Depreciation as Filed	$ (952,778)
3	RUCO Calculated Accum. Depr.	(987,188)
4		
5	Adjustment to Accum. Depr.	$ (34,410)
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Water Utility of Greater Tonopah, Inc. - Rebuttal Schedules Schedule C-1
Test Year Ended December 31, 2008
Adjusted Test Year Income Statement

Line No.	DESCRIPTION	[A] Actual Test Year	[B] Pro Forma Adjustments - As Filed	[C] Adjusted Test Year - As Filed	[D] Rebuttal Adjustments	[E] Adjusted Test Year - Rebuttal	[F] Proposed Increase - Rebuttal	[G] Adjusted With Increase - Rebuttal
1	Revenues							
2	Metered Water Sales	$ 271,752	$ (21,551)	$ 250,201	$ -	$ 250,201	$ 617,554	$ 867,755
3	Water Sales - Unmetered	-	-	-	-	-	-	-
4	Other Operating Revenue	9,103	-	9,103	-	9,103	5,875	14,978
5	Total Operating Revenues	$ 280,855	$ (21,551)	$ 259,304	$ -	$ 259,304	$ 623,429	$ 882,733
6								
7	Operating Expenses							
8	601 Salary and Wages - Employees	$ 51,004	$ (2,619)	$ 48,385	$ (4,629)	$ 43,756	$ -	$ 43,756
9	604 Employee Pensions and Benefits	10,833	(524)	10,309	-	10,309	-	10,309
10	610 Purchased Water	-	-	-	-	-	-	-
11	615 Purchased Power	17,080	(888)	16,192	(372)	15,820	-	15,820
12	616 Fuel for Power Production	-	-	-	-	-	-	-
13	618 Chemicals	34,032	(2,904)	31,128	-	31,128	-	31,128
14	620 Materials and Supplies	12,609	-	12,609	-	12,609	-	12,609
15	620.08 Materials and Supplies	10,278	-	10,278	-	10,278	-	10,278
16	635 Contractual Services - Testing	11,006	-	11,006	-	11,006	-	11,006
17	636 Contractual Services - Other	34,683	-	34,683	-	34,683	-	34,683
18	641 Rental of Building/Real Property	2,075	-	2,075	-	2,075	-	2,075
19	642 Rental of Equipment	732	-	732	-	732	-	732
20	650 Transportation Expenses	6,965	-	6,965	-	6,965	-	6,965
21	657 Insurance - General Liability	1,167	-	1,167	-	1,167	-	1,167
22	659 Insurance - Other	216	-	216	-	216	-	216
23	660 Advertising Expense	17	(17)	-	-	-	-	-
24	667 Rate Case Expense	-	1,333	1,333	-	1,333	-	1,333
25	670 Bad Debt Expense	2,451	142	2,593	(142)	2,451	5,893	8,344
26	675 Miscellaneous Expenses	4,474	-	4,474	-	4,474	-	4,474
27	403 Depreciation Expense	202,910	104,628	307,538	-	307,538	-	307,538
28	408 Taxes *Other Than Income*	8,614	-	8,614	-	8,614	-	8,614
29	408.11 Taxes Other Than Income - Property Taxes	7,143	(7,143)	-	11,687	11,687	-	11,687
30	408.13 Taxes Other Than Income - Other Taxes and L	344	-	344	-	344	-	344
31	409 Income Taxes	(32,068)	(65,900)	(97,968)	(2,513)	(100,481)	238,362	137,881
32	Total Operating Expenses	$ 386,565	$ 26,109	$ 412,674	$ 4,030	$ 416,705	$ 244,255	$ 660,960
33								
34	Utility Operating Income (Loss)	$ (105,710)	$ (47,661)	$ (153,371)	$ (4,030)	$ (157,401)	$ 379,174	$ 221,773
35								
36	414 Gains (Losses) from Disp of Util Prop	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	419 Interest and Dividend Income	3	-	3	-	3	-	3
38	427 Interest Expense	(17,506)	-	(17,506)	-	(17,506)	-	(17,506)
39	Total Other Income and Deductions	$ (17,503)	$ -	$ (17,503)	$ -	$ (17,503)	$ -	$ (17,503)
40								
41	Net Income (Loss)	$ (123,213)	$ (47,661)	$ (170,874)	$ (4,030)	$ (174,904)	$ 379,174	$ 204,270
42								
43	Supporting Schedules:						Recap Schedules:	
44	E-2						A-1	
45	C-2							

Water Utility of Greater Tonopah, Inc. - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Pro Forma Adjustments

Line No.	DESCRIPTION	[A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Test Year - As Filed	[D] ADJ #1	[E] ADJ #2	[F] ADJ #3	[G] ADJ #4	[H] ADJ #5	[I] ADJ #6	[J] Adjusted Test Year - Rebuttal
					Rebuttal Adjustments						
1	Revenues										
2	Metered Water Sales	$ 271,752	$ (21,551)	$ 250,201	$ -	$ -	$ -	$ -	$ -	$ -	$ 250,201
3	Water Sales - Unmetered	-	-	-	-	-	-	-	-	-	-
4	Other Operating Revenue	9,103	-	9,103	-	-	-	-	-	-	9,103
5	Total Operating Revenues	$ 280,855	$ (21,551)	$ 259,304	$ -	$ -	$ -	$ -	$ -	$ -	$ 259,304
6											
7	Operating Expenses										
8	601 Salary and Wages - Employees	$ 51,004	$ (2,619)	$ 48,385	$ -	$ (4,629)	$ -	$ -	$ -	$ -	$ 43,756
9	604 Employee Pensions and Benefits	10,833	(524)	10,309	-	-	-	-	-	-	10,309
10	610 Purchased Water	-	-	-	-	-	-	-	-	-	-
11	615 Purchased Power	17,080	(888)	16,192	-	-	(372)	-	-	-	15,820
12	616 Fuel for Power Production	-	-	-	-	-	-	-	-	-	-
13	618 Chemicals	34,032	(2,904)	31,128	-	-	-	-	-	-	31,128
14	620 Materials and Supplies	12,609	-	12,609	-	-	-	-	-	-	12,609
15	620.08 Materials and Supplies	10,278	-	10,278	-	-	-	-	-	-	10,278
16	635 Contractual Services - Testing	11,006	-	11,006	-	-	-	-	-	-	11,006
17	636 Contractual Services - Other	34,683	-	34,683	-	-	-	-	-	-	34,683
18	641 Rental of Building/Real Property	2,075	-	2,075	-	-	-	-	-	-	2,075
19	642 Rental of Equipment	732	-	732	-	-	-	-	-	-	732
20	650 Transportation Expenses	6,965	-	6,965	-	-	-	-	-	-	6,965
21	657 Insurance - General Liability	1,167	-	1,167	-	-	-	-	-	-	1,167
22	659 Insurance - Other	216	-	216	-	-	-	-	-	-	216
23	660 Advertising Expense	17	(17)	-	-	-	-	-	-	-	-
24	667 Rate Case Expense	-	1,333	1,333	-	-	-	-	-	-	1,333
25	670 Bad Debt Expense	2,451	142	2,593	-	-	-	(142)	-	-	2,451
26	675 Miscellaneous Expenses	4,474	-	4,474	-	-	-	-	-	-	4,474
27	403 Depreciation Expense	202,910	104,628	307,538	-	-	-	-	-	-	307,538
28	408 Taxes Other Than Income	8,614	-	8,614	-	-	-	-	-	-	8,614
29	408.11 Taxes Other Than Income - Property Taxes	7,143	(7,143)	-	-	-	-	-	11,687	-	11,687
30	408.13 Taxes Other Than Income - Other Taxes and Licenses	344	-	344	-	-	-	-	-	-	344
31	409 Income Taxes	(32,068)	(65,900)	(97,968)	-	-	-	-	-	(2,513)	(100,481)
32	Total Operating Expenses	$ 386,565	$ 26,109	$ 412,674	$ -	$ (4,629)	$ (372)	$ (142)	$ 11,687	$ (2,513)	$ 416,705
33											
34	Operating Income (Loss)	$ (105,710)	$ (47,661)	$ (153,371)	$ -	$ 4,629	$ 372	$ 142	$ (11,687)	$ 2,513	$ (157,401)
35											
36	414 Gains (Losses) from Disposition of Utility Property	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	419 Interest and Dividend Income	3	-	3	-	-	-	-	-	-	3
38	427 Interest Expense	(17,506)	-	(17,506)	-	-	-	-	-	-	(17,506)
39	*Total Other Income and Deductions*	$ (17,503)	$ -	$ (17,503)	$ -	$ -	$ -	$ -	$ -	$ -	$ (17,503)
40											
41	Net Income (Loss)	$ (123,213)	$ (47,661)	$ (170,874)	$ -	$ 4,629	$ 372	$ 142	$ (11,687)	$ 2,513	$ (174,904)
42											
43	Supporting Schedules:										
44	C-2										
45	E-2										

Water Utility of Greater Tonopah, Inc. - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 1
Annualize Revenue & Expense to reflect End-of-Test Year Cutomer Counts

Line No.	Class of Service
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Water Utility of Greater Tonopah, Inc. - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 2
Adjust Salaries and Wages to Account for Staff Adjustment 4

Line No.			
1	Staff Adjustment	$	5,070
2	Removal of duplicate reduction		441
3	Adjustment to Salaries and Wages	$	(4,629)
4			
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7	Adjustment to Salaries and Wages	$	(4,629)
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Water Utility of Greater Tonopah, Inc. - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 3
Adjustment to Purchased Power Expense

Line No.		
1	615 Purchased Power	$ 16,192
2	Water Loss Percentage Exceeding Staff Maximum Allowed	2.3%
3	Adjustment to Purchased Power	$ (372)
4		
5		
6	Adjustment to Purchased Power	$ (372)
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Water Utility of Greater Tonopah, Inc. - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 4
Adjust Bad Debt Expense for Change in Revenue Levels

Line No.		
1	Bad Debt Expense - Test Year Actual	$ 2,451
2	Adjusted Test Year Revenues	259,304
3	Bad Debt Expense Rate	0.95%
4		
5	Adjustment to Bad Debt Expense - Remove Direct Adjustment	$ (142)
6		
7		
8	Adjustment to Bad Debt Expense for Proposed Revenues	$ 5,893
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Water Utility of Greater Tonopah, Inc. - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 5
Adjustment to Property Tax

Line No.		Test Year As Adjusted	Proposed
1	Adjusted Test Year Revenues	$ 259,304	$ 259,304
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	518,608	$ 518,608
4	Proposed Revenue Requirement	259,304	$ 259,304
5	Subtotal (Line 4 + Line 5)	777,911	777,911
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	259,304	$ 259,304
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	518,608	$ 518,608
10	Plus: 10% of CWIP -	12,969	12,969
11	Less: Net Book Value of Licensed Vehicles	-	$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	531,577	$ 531,577
13	Assessment Ratio	21.0%	21.0%
14	Assessment Value (Line 12 * Line 13)	111,631	$ 111,631
15	Composite Property Tax Rate	10.4693%	10.4693%
16			$ -
17	Test Year Adjusted Property Tax (Line 14 * Line 15) - Rebuttal	$ 11,687	
18	Company Proposed Property Tax - As Filed	-	
19			
20	Test Year Adjustment (Line 16-Line 17)	$ 11,687	
21	Property Tax - Recommended Revenue (Line 14 * Line 15)		$ 11,687
22	Test Year Adjusted Property Tax Expense (Line 16)		$ 11,687
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		$ -
24			
25	Increase to Property Tax Expense		$ -
26	Increase in Revenue Requirement		-
27	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		0.000000%
28			
29			
30	Adjustor Commodity Base Rate (Proposed Prop. Tax / Test Year Gallons Sold x 1,000)		$ 0.30
31	At end of year, calculation is made to determine property tax collected using the commodity base rate		
32	multiplied by the year's gallons sold/1,000. This equates to the property tax collected, Actual		
33	property tax divided by the year's gallons sold/1,000 is also calculated. The difference would		
34	be passed through to customers as the Property Tax Adjustor rate.		
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Water Utility of Greater Tonopah, Inc. - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 6
Adjust Income Taxes to Reflect Adjusted and Proposed Income Taxes

Line No.		Adjusted Test Year Results	Proposed Revenue Results
1			
2	Operating Income Before Income Taxes	$ (257,882)	$ 359,654
3	Synchronized Interest	2,439	2,439
4	Arizona Taxable Income	$ (260,321)	$ 357,215
5			
6	Arizona Income Tax (6.968%)	$ (18,139)	$ 24,891
7			
8	Federal Income Before Taxes	$ (260,321)	$ 357,215
9	Less Arizona Income Taxes	(18,139)	24,891
10	Federal Taxable Income	$ (242,182)	$ 332,324
11			
12	Federal Income Tax (34% Tax Bracket)	$ (82,342)	$ 112,990
13			
14	Total Income Tax	$ (100,481)	$ 137,881
15			
16	Tax Rate	38.5989%	38.5989%
17			
18	Effective Income Tax Rates		
19	State	6.9680%	6.9680%
20	Federal	31.6309%	31.6309%
21			
22			
23	Test Year Income Taxes (Sch. C-2, Line 31)	$ (97,968)	
24	Increase/(Decrease) to Income Taxes - Adjusted	$ (2,513)	
25			
26	Test Year Income Taxes - Adjusted		$ (100,481)
27			
28	Increase/(Decrease) to Proposed Income Taxes		$ 238,362
29			
30			
31	*Calculation of Interest Synchronization:*		
32	Rate Base (Sch. B-1)		$ 2,563,849
33	Weighted Average Cost of Debt (Sch. D-1)		0.10%
34	Synchronized Interest (L32 X L33)		$ 2,439
35			
36			
37			
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Water Utility of Greater Tonopah, Inc. - Rebuttal Schedules Schedule C-3
Test Year Ended December 31, 2008
Computation of Gross Conversion Factor

Line No.				Percentage of Incremental Gross Revenues
1	Revenue			100.0000%
2	Uncollecible Factor (L14)			0.5804%
3	Revenues (L1 - L2)			99.4196%
4	Combined Federal and State Income Tax			38.5989%
5	Subtotal (L3 - L4)			60.8207%
6	**Revenue Conversion Factor (L1 / L5)**			**1.644176**
7				
8				
9	Calculation of Uncollectible Factor:			
10	Revenue			100.0000%
11	Combined Federal and State Tax Rate (L23)			38.5989%
12	One Minus Combined Income Tax Rate (L10 - L11)			61.4011%
13	Uncollectible Rate			0.9452%
14	Uncollectible Factor (L12 x L13)			0.5804%
15				
16	Calculation of Effective Tax Rate:			
17	Arizona State Income Tax Rate		6.9680%	
18	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
19	Arizona State Income Tax Rate	6.9680%		
20	Federal Taxable Income (L18 - L19)	93.0320%		
21	Applicable Federal Income Tax Rate	34.0000%		
22	Effective Federal Income Tax Rate (L20 x L21)		31.6309%	
23	Combined Federal and State Income Tax Rate (L17 +L22)			38.5989%
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Rebuttal Schedule

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Willow Valley Water Company, Inc. - Rebuttal Schedules Schedule A-1
Test Year Ended December 31, 2008
Computation of Increase in Gross Revenue Requirement

Line No.	DESCRIPTION	AS FILED Original Cost - As Filed	AS FILED Fair Value - As Filed	REBUTTAL Original Cost - Rebuttal	REBUTTAL Fair Value - Rebuttal
1	Adjusted Rate Base	$ 2,251,164	$ 2,251,164	$ 2,207,149	$ 2,207,149
2					
3	Adjusted Operating Income (Loss)	$ (95,458)	$ (95,458)	$ (93,559)	$ (93,559)
4					
5	Current Rate of Return (L3 / L1)	-4.24%	-4.24%	-4.24%	-4.24%
6					
7	Required Operating Income (L9 * L1)	$ 208,008	$ 208,008	$ 190,918	$ 190,918
8					
9	Required Rate of Return	9.24%	9.24%	8.65%	8.65%
10					
11	Operating Income Deficiency (L7 - L3)	$ 303,466	$ 303,466	$ 284,477	$ 284,477
12					
13	Gross Revenue Conversion Factor	1.645086	1.645086	1.641985	1.641985
14					
15	Increase in Gross Revenue Requirements	$ 499,228	$ 499,228	$ 467,107	$ 467,107
16					
17					
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20					
21	Supporting Schedules:				
22	B-1				
23	C-1				
24	C-3				
25	H-1				
26					
27					

Willow Valley Water Company, Inc. - Rebuttal Schedules Schedule B-1
Test Year Ended December 31, 2008
Summary of Fair Value Rate Base

Line No.		O.C. Rate Base - As Filed	Rebuttal Adjustments	O.C. Rate Base - Rebuttal
1	Plant in Service	$ 4,016,878	$ -	$ 4,016,878
2	Less: Accumulated Depreciation	(1,228,047)	(44,015)	(1,272,062)
3				
4	Net Plant in Service	$ 2,788,831	$ (44,015)	$ 2,744,816
5				
6	LESS:			
7	Net CIAC	-	-	-
8	Advances in Aid of Construction (AIAC)	618,488	-	618,488
9	Customer Deposits	6,985	-	6,985
10	Deferred Income Tax Credits	-	-	-
11				
12	ADD:			
13	Unamortized Finance Charges	-	-	-
14	Deferred Tax Assets	87,806	-	87,806
15	Working Capital	-	-	-
16	Utility Plant Acquisition Adjustment	-	-	-
17				
18	Original Cost Rate Base	$ 2,251,164	$ (44,015)	$ 2,207,149
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34	Supporting Schedules:		Recap Schedules:	
35	B-2		A-1	
36	B-3			
37	E-1			
38	B-5			
39				
40				

Willow Valley Water Company, Inc. - Rebuttal Schedules
Test Year Ended December 31, 2008
Original Cost Rate Base Pro Forma Adjustments

Schdule B-2
Page 1 of 2

Line No.	Description	[A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Test Year - As Filed	[D] ADJ #1	[E] ADJ #2	[F] ADJ #3	[G] ADJ #4	[H] ADJ #5	[I] ADJ #6	[J] ADJ #7	[K] Adjusted Test Year - Rebuttal
					Rebuttal Adjustments							
1	303 Land and Land Rights	$ 18,100	$ -	$ 18,100	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 18,100
2	304 Structures and Improvements	197,952	-	197,952	-	-	-	-	-	-	-	197,952
3	306 Lake, River and Other Intakes	-	-	-	-	-	-	-	-	-	-	-
4	307 Wells and Springs	1,622,446	-	1,622,446	-	-	-	-	-	-	-	1,622,446
5	309 Supply Mains	2,118	-	2,118	-	-	-	-	-	-	-	2,118
6	310 Power Generation Equipment	10,751	-	10,751	-	-	-	-		-	-	10,751
7	311 Pumping Equipment	492,405	-	492,405	-	-	-	-	-	-	-	492,405
8	320 Water Treatment Equipment	263,210	-	263,210	-	-	-	-	-	-	-	263,210
9	330 Distribution Reservoirs and Standpipes	265,882	-	265,882	-	-	-	-	-	-	-	265,882
10	331 Transmission and Distribution Mains	620,830	-	620,830	-	-	-	-	-	-	-	620,830
11	333 Services	95,359	-	95,359	-	-	-	-	-	-	-	95,359
12	334 Meters and Meter Installations	220,733	-	220,733	-	-	-	-	-	-	-	220,733
13	335 Hydrants	37,179	-	37,179	-	-	-	-	-	-	-	37,179
14	336 Backflow Prevention Devices	1,024	-	1,024	-	-	-	-	-	-	-	1,024
15	339 Other Plant and Miscellaneous Equipment	19,311	-	19,311	-	-	-	-	-	-	-	19,311
16	340 Office Furniture and Equipment	22,526	-	22,526	-	-	-	-	-	-	-	22,526
17	341 Transportation Equipment	20,846	-	20,846	-	-	-	-	-	-	-	20,846
18	343 Tools, Shop and Garage Equipment	42,909	-	42,909	-	-	-	-	-	-	-	42,909
19	344 Laboratory Equipment	9,508	-	9,508	-	-	-	-	-	-	-	9,508
20	345 Power Operated Equipment	38,925	-	38,925	-	-	-	-	-	-	-	38,925
21	346 Communication Equipment	2,654	-	2,654	-	-	-	-	-	-	-	2,654
22	347 Miscellaneous Equipment	8,273	-	8,273	-	-	-	-	-	-	-	8,273
23	348 Other Tangible Plant	3,937	-	3,937	-	-	-	-	-	-	-	3,937
24												
25	Total Plant in Service	$ 4,016,878	$ -	$ 4,016,878	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,016,878
26	Less: Accumulated Depreciation	(1,228,047)	-	(1,228,047)	(44,015)	-	-	-	-	-	-	(1,272,062)
27	Net Plant in Service (L59 - L 60)	$ 2,788,831	$ -	$ 2,788,831	$ (44,015)	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,744,816
28												
29	LESS:											
30	Net Contributions in Aid of Construction (CIAC)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
31	Advances in Aid of Construction (AIAC)	618,488	-	618,488	-	-	-	-	-	-	-	618,488
32	Customer Meter Deposits	6,985	-	6,985	-	-	-	-	-	-	-	6,985
33	Deferred Income Tax Credits	-	-	-	-	-	-	-	-	-	-	-
34												
35	ADD:											
36	Unamortized Finance Charges	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	Deferred Tax Assets	87,806	-	87,806	-	-	-	-	-	-	-	87,806
38	Working Capital	-	-	-	-	-	-	-	-	-	-	-
39	Utility Plant Acquisition Adjustment	-	-	-	-	-	-	-	-	-	-	-
40												
41	**Original Cost Rate Base**	$ 2,251,164	$ -	$ 2,251,164	$ (44,015)	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,207,149
42												
43												
44	Supporting Schedules:				Recap Schedules:							
45	E-1				B-1							

Willow Valley Water Company, Inc. - Rebuttal Schedules
Test Year Ended December 31, 2008
Rate Base Adjustment - Acceptance of RUCO Rate Base Adjustment

Line No.		
1		
2	Accumulated Depreciation as Filed	$ (1,228,047)
3	RUCO Calculated Accum. Depr.	(1,272,062)
4		
5	Adjustment to Accum. Depr.	$ (44,015)
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Willow Valley Water Company, Inc. - Rebuttal Schedules
Test Year Ended December 31, 2008
Adjusted Test Year Income Statement

Schedule C-1

Line No.	DESCRIPTION	[A] Actual Test Year	[B] Pro Forma Adjustments - As Filed	[C] Adjusted Test Year - As Filed	[D] Rebuttal Adjustments	[E] Adjusted Test Year - Rebuttal	[F] Proposed Increase - Rebuttal	[G] Adjusted With Increase - Rebuttal
1	Revenues							
2	Metered Water Sales	$ 462,423	$ (8,639)	$ 453,784	$ -	$ 453,784	$ 461,397	$ 915,181
3	Water Sales - Unmetered	-	-	-	-	-	-	-
4	Other Operating Revenue	19,743	-	19,743	-	19,743	5,710	25,453
5	Total Operating Revenues	$ 482,166	$ (8,639)	$ 473,527	$ -	$ 473,527	$ 467,107	$ 940,634
6								
7	Operating Expenses							
8	601 Salary and Wages - Employees	$ 253,041	$ (26,672)	$ 226,369	$ (21,372)	$ 204,997	$ -	$ 204,997
9	604 Employee Pensions and Benefits	56,299	(5,334)	50,965	-	50,965	-	50,965
10	610 Purchased Water	-	-	-	-	-	-	-
11	615 Purchased Power	33,979	(412)	33,567	-	33,567	-	33,567
12	616 Fuel for Power Production	-	-	-	-	-	-	-
13	618 Chemicals	18,274	(225)	18,049	-	18,049	-	18,049
14	620 Materials and Supplies	18,697	-	18,697	-	18,697	-	18,697
15	620.08 Materials and Supplies	41,492	-	41,492	-	41,492	-	41,492
16	635 Contractual Services - Testing	5,401	-	5,401	-	5,401	-	5,401
17	636 Contractual Services - Other	12,787	-	12,787	-	12,787	-	12,787
18	641 Rental of Building/Real Property	9,185	-	9,185	-	9,185	-	9,185
19	642 Rental of Equipment	-	-	-	-	-	-	-
20	650 Transportation Expenses	13,076	-	13,076	-	13,076	-	13,076
21	657 Insurance - General Liability	5,119	-	5,119	-	5,119	-	5,119
22	659 Insurance - Other	1,072	-	1,072	-	1,072	-	1,072
23	660 Advertising Expense	578	(578)	-	-	-	-	-
24	667 Rate Case Expense	-	5,333	5,333	-	5,333	-	5,333
25	670 Bad Debt Expense	3,850	885	4,735	(885)	3,850	3,798	7,648
26	675 Miscellaneous Expenses	10,257	-	10,257	-	10,257	-	10,257
27	403 Depreciation Expense	126,768	58,929	185,697	-	185,697	-	185,697
28	408 Taxes Other Than Income	2,620	(2,480)	140	-	140	-	140
29	408.11 Taxes Other Than Income - Property Taxes	21,324	(21,324)	-	18,910	18,910	-	18,910
30	408.13 Taxes Other Than Income - Other Taxes and L	-	-	-	-	-	-	-
31	409 Income Taxes	(41,507)	(31,448)	(72,955)	1,447	(71,508)	178,832	107,324
32	Total Operating Expenses	$ 592,312	$ (23,327)	$ 568,985	$ (1,900)	$ 567,086	$ 182,630	$ 749,716
33								
34	Utility Operating Income (Loss)	$ (110,146)	$ 14,688	$ (95,458)	$ 1,900	$ (93,559)	$ 284,477	$ 190,918
35								
36	414 Gains (Losses) from Disp of Util Prop	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	419 Interest and Dividend Income	779	-	779	-	779	-	779
38	427 Interest Expense	(13,333)	-	(13,333)	-	(13,333)	-	(13,333)
39	Total Other Income and Deductions	$ (12,554)	$ -	$ (12,554)	$ -	$ (12,554)	$ -	$ (12,554)
40								
41	Net Income (Loss)	$ (122,700)	$ 14,688	$ (108,012)	$ 1,900	$ (106,113)	$ 284,477	$ 178,364
42								
43	Supporting Schedules:						Recap Schedules:	
44	E-2						A-1	
45	C-2							

Willow Valley Water Company, Inc. - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Pro Forma Adjustments

Line No.	DESCRIPTION	[A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Test Year - As Filed	[D] Rebuttal Adjustments ADJ #1	[E] ADJ #2	[F] ADJ #3	[G] ADJ #4	[H] ADJ #5	[I] ADJ #6	[J] Adjusted Test Year - Rebuttal
1	Revenues										
2	Metered Water Sales	$ 462,423	$ (8,639)	$ 453,784	$ -	$ -	$ -	$ -	$ -	$ -	$ 453,784
3	Water Sales - Unmetered	-	-	-	-	-	-	-	-	-	-
4	Other Operating Revenue	19,743	-	19,743	-	-	-	-	-	-	19,743
5	Total Operating Revenues	$ 482,166	$ (8,639)	$ 473,527	$ -	$ -	$ -	$ -	$ -	$ -	$ 473,527
6											
7	Operating Expenses										
8	601 Salary and Wages - Employees	$ 253,041	$ (26,672)	$ 226,369	$ -	$ (21,372)	$ -	$ -	$ -	$ -	$ 204,997
9	604 Employee Pensions and Benefits	56,299	(5,334)	50,965	-	-	-	-	-	-	50,965
10	610 Purchased Water	-	-	-	-	-	-	-	-	-	-
11	615 Purchased Power	33,979	(412)	33,567	-	-	-	-	-	-	33,567
12	616 Fuel for Power Production	-	-	-	-	-	-	-	-	-	-
13	618 Chemicals	18,274	(225)	18,049	-	-	-	-	-	-	18,049
14	620 Materials and Supplies	18,697	-	18,697	-	-	-	-	-	-	18,697
15	620.08 Materials and Supplies	41,492	-	41,492	-	-	-	-	-	-	41,492
16	635 Contractual Services - Testing	5,401	-	5,401	-	-	-	-	-	-	5,401
17	636 Contractual Services - Other	12,787	-	12,787	-	-	-	-	-	-	12,787
18	641 Rental of Building/Real Property	9,185	-	9,185	-	-	-	-	-	-	9,185
19	642 Rental of Equipment	-	-	-	-	-	-	-	-	-	-
20	650 Transportation Expenses	13,076	-	13,076	-	-	-	-	-	-	13,076
21	657 Insurance - General Liability	5,119	-	5,119	-	-	-	-	-	-	5,119
22	659 Insurance - Other	1,072	-	1,072	-	-	-	-	-	-	1,072
23	660 Advertising Expense	578	(578)	-	-	-	-	-	-	-	-
24	667 Rate Case Expense	-	5,333	5,333	-	-	-	-	-	-	5,333
25	670 Bad Debt Expense	3,850	885	4,735	-	-	-	(885)	-	-	3,850
26	675 Miscellaneous Expenses	10,257	-	10,257	-	-	-	-	-	-	10,257
27	403 Depreciation Expense	126,768	58,929	185,697	-	-	-	-	-	-	185,697
28	408 Taxes Other Than Income	2,620	(2,480)	140	-	-	-	-	-	-	140
29	408.11 Taxes Other Than Income - Property Taxes	21,324	(21,324)	-	-	-	-	-	18,910	-	18,910
30	408.13 Taxes Other Than Income - Other Taxes and Licenses	-	-	-	-	-	-	-	-	-	-
31	409 Income Taxes	(41,507)	(31,448)	(72,955)	-	-	-	-	-	1,447	(71,508)
32	Total Operating Expenses	$ 592,312	$ (23,327)	$ 568,985	$ -	$ (21,372)	$ -	$ (885)	$ 18,910	$ 1,447	$ 567,086
33											
34	Operating Income (Loss)	$ (110,146)	$ 14,688	$ (95,458)	$ -	$ 21,372	$ -	$ 885	$ (18,910)	$ (1,447)	$ (93,559)
35											
36	414 Gains (Losses) from Disposition of Utility Property	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	419 Interest and Dividend Income	779.0	-	779.0	-	-	-	-	-	-	779
38	427 Interest Expense	(13,333)	-	(13,333)	-	-	-	-	-	-	(13,333)
39	Total Other Income and Deductions	$ (12,554)	$ -	$ (12,554)	$ -	$ -	$ -	$ -	$ -	$ -	$ (12,554)
40											
41	Net Income (Loss)	$ (122,700)	$ 14,688	$ (108,012)	$ -	$ 21,372	$ -	$ 885	$ (18,910)	$ (1,447)	$ (106,113)
42											
43	Supporting Schedules:										
44	C-2										
45	E-2										

Willow Valley Water Company, Inc. - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 1
Remove Annualization Revenue & Expense to reflect End-of-Test Year Cutomer Counts

Line No.	Class of Service
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Willow Valley Water Company, Inc. - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 2
Adjust Salaries and Wages to Account for Staff Adjustment 4

Line No.		
1	Staff Adjustment	$ 21,372
2	Removal of duplicate reduction	-
3	Adjustment to Salaries and Wages	$ (21,372)
4		
5		
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7	Adjustment to Salaries and Wages	$ (21,372)
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Willow Valley Water Company, Inc. - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 3
Adjustment to Purchased Power Expense

Line No.	
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Willow Valley Water Company, Inc. - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 4
Adjust Bad Debt Expense for Change in Revenue Levels

Line No.		
1	Bad Debt Expense - Test Year Actual	$ 3,850
2	Adjusted Test Year Revenues	473,527
3	Bad Debt Expense Rate	0.81%
4		
5	Adjustment to Bad Debt Expense - Remove Direct Adjustment	$ (885)
6		
7		
8	Adjustment to Bad Debt Expense for Proposed Revenues	$ 3,798
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Willow Valley Water Company, Inc. - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 5
Adjustment to Property Tax

Schedule C-2
Page 6 of 7

Line No.		Test Year As Adjusted	Proposed
1	Adjusted Test Year Revenues	$ 473,527	$ 473,527
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	947,054	$ 947,054
4	Proposed Revenue Requirement	473,527	$ 473,527
5	Subtotal (Line 4 + Line 5)	1,420,581	1,420,581
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	473,527	$ 473,527
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	947,054	$ 947,054
10	Plus: 10% of CWIP -	47	47
11	Less: Net Book Value of Licensed Vehicles	16,677	$ 16,677
12	Full Cash Value (Line 9 + Line 10 - Line 11)	930,424	$ 930,424
13	Assessment Ratio	21.0%	21.0%
14	Assessment Value (Line 12 * Line 13)	195,389	$ 195,389
15	Composite Property Tax Rate	9.6781%	9.6781%
16			$ -
17	Test Year Adjusted Property Tax (Line 14 * Line 15) - Rebuttal	$ 18,910	
18	Company Proposed Property Tax - As Filed	-	
19			
20	Test Year Adjustment (Line 16-Line 17)	$ 18,910	
21	Property Tax - Recommended Revenue (Line 14 * Line 15)		$ 18,910
22	Test Year Adjusted Property Tax Expense (Line 16)		$ 18,910
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		$ -
24			
25	Increase to Property Tax Expense		$ -
26	Increase in Revenue Requirement		-
27	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		0.000000%
28			
29			
30	Adjustor Commodity Base Rate (Proposed Prop. Tax / Test Year Gallons Sold x 1,000)		$ 0.19
31	At end of year, calculation is made to determine property tax collected using the commodity base rate		
32	multiplied by the year's gallons sold/1,000. This equates to the property tax collected, Actual		
33	property tax divided by the year's gallons sold/1,000 is also calculated. The difference would		
34	be passed through to customers as the Property Tax Adjustor rate.		
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Willow Valley Water Company, Inc. - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 6
Adjust Income Taxes to Reflect Adjusted and Proposed Income Taxes

Line No.		Adjusted Test Year Results	Proposed Revenue Results
1			
2	Operating Income Before Income Taxes	$ (165,067)	$ 298,243
3	Synchronized Interest	20,193	20,193
4	Arizona Taxable Income	$ (185,259)	$ 278,050
5			
6	Arizona Income Tax (6.968%)	$ (12,909)	$ 19,375
7			
8	Federal Income Before Taxes	$ (185,259)	$ 278,050
9	Less Arizona Income Taxes	(12,909)	19,375
10	Federal Taxable Income	$ (172,350)	$ 258,675
11			
12	Federal Income Tax (34% Tax Bracket)	$ (58,599)	$ 87,950
13			
14	Total Income Tax	$ (71,508)	$ 107,324
15			
16	Tax Rate	38.5989%	38.5989%
17			
18	Effective Income Tax Rates		
19	State	6.9680%	6.9680%
20	Federal	31.6309%	31.6309%
21			
22			
23	Test Year Income Taxes (Sch. C-2, Line 31)	$ (72,955)	
24	Increase/(Decrease) to Income Taxes - Adjusted	$ 1,447	
25			
26	Test Year Income Taxes - Adjusted		$ (71,508)
27			
28	Increase/(Decrease) to Proposed Income Taxes		$ 178,832
29			
30			
31	*Calculation of Interest Synchronization:*		
32	Rate Base (Sch. B-1)		$ 2,207,149
33	Weighted Average Cost of Debt (Sch. D-1)		0.91%
34	Synchronized Interest (L32 X L33)		$ 20,193
35			
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Willow Valley Water Company, Inc. - Rebuttal Schedules Schedule C-3
Test Year Ended December 31, 2008
Computation of Gross Conversion Factor

Line No.				Percentage of Incremental Gross Revenues
1	Revenue			100.0000%
2	Uncollecible Factor (L14)			0.4992%
3	Revenues (L1 - L2)			99.5008%
4	Combined Federal and State Income Tax			38.5989%
5	Subtotal (L3 - L4)			60.9019%
6	**Revenue Conversion Factor (L1 / L5)**			**1.641985**
7				
8				
9	Calculation of Uncollectible Factor:			
10	Revenue			100.0000%
11	Combined Federal and State Tax Rate (L23)			38.5989%
12	One Minus Combined Income Tax Rate (L10 - L11)			61.4011%
13	Uncollectible Rate			0.8130%
14	Uncollectible Factor (L12 x L13)			0.4992%
15				
16	Calculation of Effective Tax Rate:			
17	Arizona State Income Tax Rate		6.9680%	
18	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
19	Arizona State Income Tax Rate	6.9680%		
20	Federal Taxable Income (L18 - L19)	93.0320%		
21	Applicable Federal Income Tax Rate	34.0000%		
22	Effective Federal Income Tax Rate (L20 x L21)		31.6309%	
23	Combined Federal and State Income Tax Rate (L17 +L22)			38.5989%
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Rebuttal Schedule
Consolidated West Valley

Global Water - West Valley Consolidation - *Rebuttal Schedules* Schedule A-1
Test Year Ended December 31, 2008
Computation of Increase in Gross Revenue Requirement

Line No.	DESCRIPTION	AS FILED Original Cost - As Filed	AS FILED Fair Value - As Filed	REBUTTAL Original Cost - Rebuttal	REBUTTAL Fair Value - Rebuttal
1	Adjusted Rate Base	$ 7,767,334	$ 7,767,334	$ 7,902,833	$ 7,902,833
2					
3	Adjusted Operating Income (Loss)	$ (769,680)	$ (769,680)	$ (751,826)	$ (751,826)
4					
5	Current Rate of Return (L3 / L1)	-9.91%	-9.91%	-9.51%	-9.51%
6					
7	Required Operating Income (L9 * L1)	$ 761,975	$ 761,975	$ 683,595	$ 683,595
8					
9	Required Rate of Return	9.81%	9.81%	8.65%	8.65%
10					
11	Operating Income Deficiency (L7 - L3)	$ 1,531,656	$ 1,531,656	$ 1,435,421	$ 1,435,421
12					
13	Gross Revenue Conversion Factor	1.645086	1.645086	1.650886	1.650886
14					
15	Increase in Gross Revenue Requirements	$ 2,519,705	$ 2,519,705	$ 2,369,715	$ 2,369,715
16					
17					
18					
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20					
21	Supporting Schedules:				
22	B-1				
23	C-1				
24	C-3				
25	H-1				
26					
27					

Global Water - West Valley Consolidation - Rebuttal Schedules Schedule B-1
Test Year Ended December 31, 2008
Summary of Fair Value Rate Base

Line No.		O.C. Rate Base - As Filed	Rebuttal Adjustments	O.C. Rate Base - Rebuttal
1	Plant in Service	$ 53,474,551	$ -	$ 53,474,551
2	Less: Accumulated Depreciation	(4,922,761)	135,499	(4,787,262)
3				
4	Net Plant in Service	$ 48,551,790	$ 135,499	$ 48,687,289
5				
6	LESS:			
7	Net CIAC	1,193,509	-	1,193,509
8	Advances in Aid of Construction (AIAC)	39,985,022	-	39,985,022
9	Customer Deposits	184,749	-	184,749
10	Deferred Income Tax Credits	-	-	-
11				
12	ADD:			
13	Unamortized Finance Charges	-	-	-
14	Deferred Tax Assets	578,824	-	578,824
15	Working Capital	-	-	-
16	Utility Plant Acquisition Adjustment	-	-	-
17				
18	Original Cost Rate Base	$ 7,767,334	$ 135,499	$ 7,902,833
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35	Supporting Schedules:		Recap Schedules:	
36	B-2		A-1	
37	B-3			
38	E-1			
39	B-5			
40				

Global Water - West Valley Consolidation - Rebuttal Schedules
Test Year Ended December 31, 2008
Original Cost Rate Base Pro Forma Adjustments

Schedule B-2
Page 1 of 2

Line No.	Description	[A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Test Year - As Filed	[D] ADJ #1	[E] ADJ #2	[F] ADJ #3	[G] ADJ #4	[H] ADJ #5	[I] ADJ #6	[J] ADJ #7	[K] Adjusted Test Year - Rebuttal
					Rebuttal Adjustments							
1	303 Land and Land Rights	$ 242,995	$ -	$ 242,995	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 242,995
2	304 Structures and Improvements	1,031,256	-	1,031,256	-	-	-	-	-	-	-	1,031,256
3	306 Lake, River and Other Intakes	-	-	-	-	-	-	-	-	-	-	-
4	307 Wells and Springs	1,191,040	-	1,191,040	-	-	-	-	-	-	-	1,191,040
5	309 Supply Mains	-	-	-	-	-	-	-	-	-	-	-
6	310 Power Generation Equipment	20,612	-	20,612	-	-	-	-	-	-	-	20,612
7	311 Pumping Equipment	9,914,563	-	9,914,563	-	-	-	-	-	-	-	9,914,563
8	320 Water Treatment Equipment	5,970,564	-	5,970,564	-	-	-	-	-	-	-	5,970,564
9	330 Distribution Reservoirs ad Standpipes	4,208,575	-	4,208,575	-	-	-	-	-	-	-	4,208,575
10	331 Transmission and Distribution Mains	20,999,633	-	20,999,633	-	-	-	-	-	-	-	20,999,633
11	333 Services	2,872,837	-	2,872,837	-	-	-	-	-	-	-	2,872,837
12	334 Meters and Meter Installations	1,654,869	-	1,654,869	-	-	-	-	-	-	-	1,654,869
13	335 Hydrants	1,979,413	-	1,979,413	-	-	-	-	-	-	-	1,979,413
14	336 Backflow Prevention Devices	24,000	-	24,000	-	-	-	-	-	-	-	24,000
15	339 Other Plant and Miscellaneous Equipment	122,266	-	122,266	-	-	-	-	-	-	-	122,266
16	340 Office Furniture and Equipment	46,206	-	46,206	-	-	-	-	-	-	-	46,206
17	341 Transportation Equipment	307,655	-	307,655	-	-	-	-	-	-	-	307,655
18	343 Tools, Shop and Garage Equipment	93,355	-	93,355	-	-	-	-	-	-	-	93,355
19	344 Laboratory Equipment	42,834	-	42,834	-	-	-	-	-	-	-	42,834
20	345 Power Operated Equipment	56,426	-	56,426	-	-	-	-	-	-	-	56,426
21	346 Communication Equipment	37,217	-	37,217	-	-	-	-	-	-	-	37,217
22	347 Miscellaneous Equipment	30,896	-	30,896	-	-	-	-	-	-	-	30,896
23	348 Other Tangible Plant	2,627,339	-	2,627,339	-	-	-	-	-	-	-	2,627,339
24												
25	Total Plant in Service	$ 53,474,551	$ -	$ 53,474,551	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 53,474,551
26	Less: Accumulated Depreciation	(4,922,761)	-	(4,922,761)	135,499	-	-	-	-	-	-	(4,787,262)
27	Net Plant in Service (L59 - L 60)	$ 48,551,790	$ -	$ 48,551,790	$ 135,499	$ -	$ -	$ -	$ -	$ -	$ -	$ 48,687,289
28												
29	LESS:											
30	Net Contributions in Aid of Construction (CIAC)	$ 1,193,509	$ -	$ 1,193,509	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,193,509
31	Advances in Aid of Construction (AIAC)	39,985,022	-	39,985,022	-	-	-	-	-	-	-	39,985,022
32	Customer Meter Deposits	184,749	-	184,749	-	-	-	-	-	-	-	184,749
33	Deferred Income Tax Credits	-	-	-	-	-	-	-	-	-	-	-
34												
35	ADD:											
36	Unamortized Finance Charges	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	Deferred Tax Assets	578,824	-	578,824	-	-	-	-	-	-	-	578,824
38	Working Capital	-	-	-	-	-	-	-	-	-	-	-
39	Utility Plant Acquisition Adjustment	-	-	-	-	-	-	-	-	-	-	-
40												
41	**Original Cost Rate Base**	$ 7,767,334	$ -	$ 7,767,334	$ 135,499	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,902,833
42												
43												
44	*Supporting Schedules:*				Recap Schedules:							
45	E-1				B-1							

Line No.		
1		
2	Accumulated Depreciation as Filed	$ (4,922,761)
3	RUCO Calculated Accum. Depr.	(4,787,262)
4		
5	Adjustment to Accum. Depr.	$ 135,499
6		
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Global Water - West Valley Consolidation - Rebuttal Schedules
Test Year Ended December 31, 2008
Adjusted Test Year Income Statement

Schedule C-1

Line No.	DESCRIPTION			[A] Actual Test Year	[B] Pro Forma Adjustments	[C] Adjusted Test Year	[D] Proposed Rate Increase	[E] Adjusted With Rate Increase
1	Revenues							
2	Metered Water Sales	$ 3,441,914	$ (215,933)	$ 3,225,981	$ 186,696	$ 3,412,678	$ 2,235,880	$ 5,648,558
3	Water Sales - Unmetered	-	-	-	-	-	-	-
4	Other Operating Revenue	289,253	(31,628)	257,625	-	257,625	133,835	391,460
5	Total Operating Revenues	$ 3,731,167	$ (247,561)	$ 3,483,606	$ 186,696	$ 3,670,303	$ 2,369,715	$ 6,040,018
6								
7	Operating Expenses							
8	601 Salary and Wages - Employees	$ 834,697	$ (39,287)	$ 795,410	$ (62,331)	$ 733,079	$ -	$ 733,079
9	604 Employee Pensions and Benefits	177,411	(7,857)	169,554	-	169,554	-	169,554
10	610 Purchased Water	52,085	-	52,085	-	52,085	-	52,085
11	615 Purchased Power	341,029	(11,789)	329,240	21,476	350,716	-	350,716
12	616 Fuel for Power Production	-	-	-	-	-	-	-
13	618 Chemicals	199,212	(13,725)	185,487	12,824	198,311	-	198,311
14	620 Materials and Supplies	48,666	-	48,666	-	48,666	-	48,666
15	620.08 Materials and Supplies	155,566	-	155,566	-	155,566	-	155,566
16	634 Contractual Services - Management Fees	-	-	-	-	-	-	-
17	635 Contractual Services - Testing	48,509	-	48,509	-	48,509	-	48,509
18	636 Contractual Services - Other	77,174	-	77,174	-	77,174	-	77,174
19	641 Rental of Building/Real Property	43,234	-	43,234	-	43,234	-	43,234
20	642 Rental of Equipment	5,027	-	5,027	-	5,027	-	5,027
21	650 Transportation Expenses	84,653	-	84,653	-	84,653	-	84,653
22	657 Insurance - General Liability	20,338	-	20,338	-	20,338	-	20,338
23	659 Insurance - Other	3,888	-	3,888	-	3,888	-	3,888
24	660 Advertising Expense	162	(162)	-	-	-	-	-
25	667 Rate Case Expense	-	21,333	21,333	-	21,333	-	21,333
26	670 Bad Debt Expense	49,469	(14,633)	34,836	14,633	49,469	31,939	81,408
27	675 Miscellaneous Expenses	39,160	-	39,160	-	39,160	-	39,160
28	403 Depreciation Expense	1,434,045	1,187,153	2,621,198	-	2,621,198	-	2,621,198
29	408 Taxes Other Than Income	30,483	(12,644)	17,839	-	17,839	-	17,839
30	408.11 Taxes Other Than Income - Property Taxes	141,038	(141,038)	-	171,339	171,339	-	171,339
31	408.13 Taxes Other Than Income - Other Taxes and L	2,445	-	2,445	-	2,445	-	2,445
32	409 Income Taxes	37,720	(540,075)	(502,355)	10,901	(491,454)	902,355	422,458
33	Total Operating Expenses	$ 3,826,011	$ 427,275	$ 4,253,286	$ 168,842	$ 4,422,128	$ 934,295	$ 5,367,979
34								
35	Utility Operating Income (Loss)	$ (94,844)	$ (674,836)	$ (769,680)	$ 17,854	$ (751,826)	$ 1,435,421	$ 672,039
36								
37	414 Gains (Losses) from Disp of Util Prop	$ 285	$ -	$ 285	$ -	$ 285	$ -	$ 285
38	419 Interest and Dividend Income	15	-	15	-	15	-	15
39	427 Interest Expense	(174,820)	-	(174,820)	-	(174,820)	-	(174,820)
40	Total Other Income and Deductions	$ (174,520)	$ -	$ (174,520)	$ -	$ (174,520)	$ -	$ (174,520)
41								
42	Net Income (Loss)	$ (269,364)	$ (674,836)	$ (944,200)	$ 17,854	$ (926,346)	$ 1,435,421	$ 497,519
43								
44								
45								
46								
47								
48	Supporting Schedules:					Recap Schedules:		
49	E-2					A-1		
50	C-2							

Global Water - West Valley Consolidation - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Pro Forma Adjustments

Line No.	DESCRIPTION	[A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Test Year - As Filed	[F] ADJ #3	[G] ADJ #4	[H] ADJ #5	[K] ADJ #8	[N] ADJ #11	[O] ADJ #12	[P] Adjusted Test Year - Rebuttal
					Rebuttal Adjustments						
1	Revenues										
2	Metered Water Sales	$ 3,441,914	$ (215,933)	$ 3,225,981	$ 186,696	$ -	$ -	$ -	$ -	$ -	$ 3,412,678
3	Water Sales - Unmetered	-	-	-	-	-	-	-	-	-	-
4	Other Operating Revenue	289,253	(31,628)	257,625	-	-	-	-	-	-	257,625
5	Total Operating Revenues	$ 3,731,167	$ (247,561)	$ 3,483,606	$ 186,696	$ -	$ -	$ -	$ -	$ -	$ 3,670,303
6											
7	Operating Expenses										
8	601 Salary and Wages - Employees	$ 834,697	$ (39,287)	$ 795,410	$ -	$ (62,331)	$ -	$ -	$ -	$ -	$ 733,079
9	604 Employee Pensions and Benefits	177,411	(7,857)	169,554	-	-	-	-	-	-	169,554
10	610 Purchased Water	52,085	-	52,085	-	-	-	-	-	-	52,085
11	615 Purchased Power	341,029	(11,789)	329,240	21,848	-	(372)	-	-	-	350,716
12	616 Fuel for Power Production	-	-	-	-	-	-	-	-	-	-
13	618 Chemicals	199,212	(13,725)	185,487	12,824	-	-	-	-	-	198,311
14	620 Materials and Supplies	48,666	-	48,666	-	-	-	-	-	-	48,666
15	620.08 Materials and Supplies	155,566	-	155,566	-	-	-	-	-	-	155,566
16	634 Contractual Services - Management Fees	-	-	-	-	-	-	-			-
17	635 Contractual Services - Testing	48,509	-	48,509	-	-	-	-	-	-	48,509
18	636 Contractual Services - Other	77,174	-	77,174	-	-	-	-	-	-	77,174
19	641 Rental of Building/Real Property	43,234	-	43,234	-	-	-	-	-	-	43,234
20	642 Rental of Equipment	5,027	-	5,027	-	-	-	-	-	-	5,027
21	650 Transportation Expenses	84,653	-	84,653	-	-	-	-	-	-	84,653
22	657 Insurance - General Liability	20,338	-	20,338	-	-	-	-	-	-	20,338
23	659 Insurance - Other	3,888	-	3,888	-	-	-	-	-	-	3,888
24	660 Advertising Expense	162	(162)	-	-	-	-	-	-	-	-
25	667 Rate Case Expense	-	21,333	21,333	-	-	-	-	-	-	21,333
26	670 Bad Debt Expense	49,469	(14,633)	34,836	-	-	-	14,633	-	-	49,469
27	675 Miscellaneous Expenses	39,160	-	39,160	-	-	-	-	-	-	39,160
28	403 Depreciation Expense	1,434,045	1,187,153	2,621,198	-	-	-	-	-	-	2,621,198
29	408 Taxes Other Than Income	30,483	(12,644)	17,839	-	-	-	-	-	-	17,839
30	408.11 Taxes Other Than Income - Property Taxes	141,038	(141,038)	-	-	-	-	-	171,339	-	171,339
31	408.13 Taxes Other Than Income - Other Taxes and Licenses	2,445	-	2,445	-	-	-	-	-	-	2,445
32	409 Income Taxes	37,720	(540,075)	(502,355)	-	-	-	-	-	10,901	(491,454)
33	Total Operating Expenses	$ 3,826,011	$ 427,275	$ 4,253,286	$ 34,673	$ (62,331)	$ (372)	$ 14,633	$ 171,339	$ 10,901	$ 4,422,128
34											
35	Operating Income (Loss)	$ (94,844)	$ (674,836)	$ (769,680)	$ 152,024	$ 62,331	$ 372	$ (14,633)	$ (171,339)	$ (10,901)	$ (751,826)
36											
37	414 Gains (Losses) from Disposition of Utility Property	$ 285	$ -	$ 285	$ -	$ -	$ -	$ -	$ -	$ -	$ 285
38	419 Interest and Dividend Income	15.0	-	15.0	-	-	-	-	-	-	15
39	427 Interest Expense	(174,820)	-	(174,820)	-	-	-	-	-	-	(174,820)
40	Total Other Income and Deductions	$ (174,520)	$ -	$ (174,520)	$ -	$ -	$ -	$ -	$ -	$ -	$ (174,520)
41											
42	Net Income (Loss)	$ (269,364)	$ (674,836)	$ (944,200)	$ 152,024	$ 62,331	$ 372	$ (14,633)	$ (171,339)	$ (10,901)	$ (926,346)
43											
44											
45	Supporting Schedules:										
46	C-2										
47	E-2										

Global Water - West Valley Consolidation - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 1
Remove Annualization Revenue & Expense to reflect End-of-Test Year Customer Counts

Line No.	Class of Service	[A] Average No. of Customers Per Bill Count Sch. H-2 Col. A	[B] Year-End Number of Customers	[C] Average Additional Customers [B - A]	[D] Change in Bills to be Issued	[E] Average Gallons Sold Per Customer	[F] Additional K Gallons To Be Sold	[G] Additional Revenues at Present Rates
1	5/8" Residential, Town Division	4,661	4,728	67	813	Varies	2,847	$ (18,711)
2	3/4" Residential, Town Division	99	23	(76)	(901)	Varies	(4,204)	25,539
3	1" Residential, Town Division	75	79	4	49	Varies	380	(2,923)
4	2" Residential, Town Division	15	14	(1)	(8)	Varies	(862)	3,627
5	5/8" Residential, Greater Buckeye Division	504	528	24	288	Varies	2,573	(11,685)
6	3/4" Residential, Greater Buckeye Division	58	6	(52)	(622)	Varies	(6,375)	27,798
7	1" Residential, Greater Buckeye Division	53	55	2	29	Varies	274	(1,916)
8	5/8" Residential, Greatter Tonopah	316	300	(16)	(187)	Varies	-	-
9	3/4" Residential, Greatter Tonopah	4	4	-	-	Varies	-	-
10	1" Residential, Greatter Tonopah	11	10	(1)	(8)	Varies	-	-
11	1.5" Residential, Greatter Tonopah	1	1	-	-	Varies	-	-
12	Subtotal Residential	5,797	5,748	(49)	(547)		(5,368)	$ 21,728
13								
14								
15	5/8" Commercial, Town Division	14	17	3	36	Varies	295	$ (1,312)
16	3/4" Commercial, Town Division	1	-	(1)	(7)	Varies	(41)	222
17	1" Commercial, Town Division	4	4	-	-	Varies	-	-
18	1.5" Commercial, Town Division	2	2	-	-	Varies	-	-
19	2" Commercial, Town Division	21	23	2	33	Varies	3,793	(11,276)
20	3" Commercial, Town Division	2	2	-	-	Varies	-	-
21	4" Commercial, Town Division	1	-	(1)	(6)	Varies	(8)	4,223
22	6" Commercial, Town Division	1	1	-	-	Varies	-	-
23	5/8" Commercial, Greater Buckeye Division	2	2	-	-	Varies	-	-
24	5/8" Commercial, Greatter Tonopah	3	2	(1)	(3)	Varies	-	-
25	1" Commercial, Greatter Tonopah	1	1	-	-	Varies	-	-
26	1.5" Commercial, Greatter Tonopah	2	1	(1)	(6)	Varies	-	-
27	6" Commercial, Greatter Tonopah	1	1	-	-	Varies	-	-
28	Subtotal Commercial	55	56	1	47		4,039	$ (8,144)
29								
30	2" Construction, Town Division	15	-	(15)	(178)	Varies	(32,772)	$ 119,538
31	3" Construction, Town Division	2	-	(2)	(16)	Varies	(1,592)	8,153
32	4" Construction, Town Division	1	-	(1)	(10)	Varies	(331)	7,945
33	8" Construction, Town Division	1	-	(1)	(5)	Varies	(1,580)	8,017
34	2' Construction, Greater Buckeye Division	2	-	(2)	(15)	Varies	(9,894)	29,459
35	2" Construction, Greatter Tonopah	4	-	(4)	44	Varies	-	-
36		25	-	(25)	(180)		(46,168)	$ 173,112
37								
38	Totals	5,877	5,804	(73)	(680)		(47,497)	$ 186,696
39								
40								

Line No.	Class of Expense	Average Cost Per Gallons Sold Per Sch. E-7	Additional K Gallons To Be Sold	Additional Cost From Customer Growth
41				
42				
43				
44				
45				
46	Pumping	$ 0.46	(47,497)	$ 21,848
47	Water Treatment	$ 0.27	(47,497)	12,824
48				
49	Totals			$ 34,673
50				

Global Water - West Valley Consolidation - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 2
Adjust Salaries and Wages to Account for Staff Adjustment 4

Line No.		
1	Staff Adjustment	$ 69,465
2	Removal of duplicate reduction	7,134
3	Adjustment to Salaries and Wages	$ (62,331)
4		
5		
6		
7	Adjustment to Salaries and Wages	$ (62,331)
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Global Water - West Valley Consolidation - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 3
Adjustment to Purchased Power Expense

Line No.			
1	615 Purchased Power - WUGT Adjustment	$	(372)
2			
3			
4			
5			
6	Adjustment to Purchased Power	$	(372)
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Global Water - West Valley Consolidation - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 4
Adjust Bad Debt Expense for Change in Revenue Levels

Line No.		
1	Bad Debt Expense - Test Year Actual	$ 49,469
2	Adjusted Test Year Revenues	3,670,303
3	Bad Debt Expense Rate	1.35%
4		
5	Adjustment to Bad Debt Expense - Remove Direct Adjustment	$ 14,633
6		
7		
8	Adjustment to Bad Debt Expense for Proposed Revenues	$ 31,939
9		
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Global Water - West Valley Consolidation - Rebuttal Schedules
Test Year Ended December 31, 2008
Income Statement Adjustment 5
Adjustment to Property Tax

Line No.		Test Year As Adjusted	Proposed
1	Adjusted Test Year Revenues	$ 3,670,303	$ 3,670,303
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	7,340,605	$ 7,340,605
4	Proposed Revenue Requirement	3,670,303	$ 3,670,303
5	Subtotal (Line 4 + Line 5)	11,010,908	11,010,908
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	3,670,303	$ 3,670,303
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	7,340,605	$ 7,340,605
10	Plus: 10% of CWIP -	428,813	428,813
11	Less: Net Book Value of Licensed Vehicles	96,323	$ 96,323
12	Full Cash Value (Line 9 + Line 10 - Line 11)	7,673,095	$ 7,673,095
13	Assessment Ratio	21.0%	21.0%
14	Assessment Value (Line 12 * Line 13)	1,611,350	$ 1,611,350
15	Composite Property Tax Rate	10.6332%	10.6332%
16			$ -
17	Test Year Adjusted Property Tax (Line 14 * Line 15) - Rebuttal	$ 171,339	
18	Company Proposed Property Tax - As Filed	-	
19			
20	Test Year Adjustment (Line 16-Line 17)	$ 171,339	
21	Property Tax - Recommended Revenue (Line 14 * Line 15)		$ 171,339
22	Test Year Adjusted Property Tax Expense (Line 16)		$ 171,339
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		$ -
24			
25	Increase to Property Tax Expense		$ -
26	Increase in Revenue Requirement		-
27	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		0.000000%
28			
29			
30	Adjustor Commodity Base Rate (Proposed Prop. Tax / Test Year Gallons Sold x 1,000)		$ 0.23
31	At end of year, calculation is made to determine property tax collected using the commodity base rate		
32	multiplied by the year's gallons sold/1,000. This equates to the property tax collected, Actual		
33	property tax divided by the year's gallons sold/1,000 is also calculated. The difference would		
34	be passed through to customers as the Property Tax Adjustor rate.		
35			
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Global Water - West Valley Consolidation - Rebuttal Schedules Schedule C-2
Test Year Ended December 31, 2008 Page 7 of 7
Income Statement Adjustment 6
Adjust Income Taxes to Reflect Adjusted and Proposed Income Taxes

Line No.		Adjusted Test Year Results	Proposed Revenue Results
1			
2	Operating Income Before Income Taxes	$ (1,243,280)	$ 1,094,496
3	Synchronized Interest	29,954	29,954
4	Arizona Taxable Income	$ (1,273,234)	$ 1,064,542
5			
6	Arizona Income Tax (6.968%)	$ (88,719)	$ 74,177
7			
8	Federal Income Before Taxes	$ (1,273,234)	$ 1,064,542
9	Less Arizona Income Taxes	(88,719)	74,177
10	Federal Taxable Income	$ (1,184,515)	$ 990,365
11			
12	Federal Income Tax (34% Tax Bracket)	$ (402,735)	$ 336,724
13			
14	Total Income Tax	$ (491,454)	$ 410,901
15			
16	Tax Rate	38.5989%	38.5989%
17			
18	Effective Income Tax Rates		
19	State	6.9680%	6.9680%
20	Federal	31.6309%	31.6309%
21			
22			
23	Test Year Income Taxes (Sch. C-2, Line 31)	$ (502,355)	
24	Increase/(Decrease) to Income Taxes - Adjusted	$ 10,901	
25			
26	Test Year Income Taxes - Adjusted		$ (491,454)
27			
28	Increase/(Decrease) to Proposed Income Taxes		$ 902,355
29			
30			
31	*Calculation of Interest Synchronization:*		
32	Rate Base (Sch. B-1)		$ 7,902,833
33	Weighted Average Cost of Debt (Sch. D-1)		0.38%
34	Synchronized Interest (L32 X L33)		$ 29,954
35			
36			
37			
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Global Water - West Valley Consolidation - Rebuttal Schedules Schedule C-3
Test Year Ended December 31, 2008
Computation of Gross Conversion Factor

Line No.				Percentage of Incremental Gross Revenues
1	Revenue			100.0000%
2	Uncollecible Factor (L14)			0.8276%
3	Revenues (L1 - L2)			99.1724%
4	Combined Federal and State Income Tax			38.5989%
5	Subtotal (L3 - L4)			60.5735%
6	**Revenue Conversion Factor (L1 / L5)**			**1.650886**
7				
8				
9	Calculation of Uncollectible Factor:			
10	Revenue			100.0000%
11	Combined Federal and State Tax Rate (L23)			38.5989%
12	One Minus Combined Income Tax Rate (L10 - L11)			61.4011%
13	Uncollectible Rate			1.3478%
14	Uncollectible Factor (L12 x L13)			0.8276%
15				
16	Calculation of Effective Tax Rate:			
17	Arizona State Income Tax Rate		6.9680%	
18	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
19	Arizona State Income Tax Rate	6.9680%		
20	Federal Taxable Income (L18 - L19)	93.0320%		
21	Applicable Federal Income Tax Rate	34.0000%		
22	Effective Federal Income Tax Rate (L20 x L21)		31.6309%	
23	Combined Federal and State Income Tax Rate (L17 +L22)			38.5989%
24				
25				
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